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ABSTRACT

This hearing seeks to examine the Family Welfare Reform Act, H.R. 1720, now pending, and determine what changes in the Aid to Families with Dependent Children (AFDC) program and the Food Stamp Program are needed to ensure that the United States has an integrated welfare system. H.R. 1720 includes benefit reforms, a new employment and training program, and steps to ensure that absent parents meet their moral and legal obligations to provide financial support for their children. Included are the opening statements by Representatives on the House Committee on Agriculture; and testimony and prepared statements by witnesses from the Department of Agriculture and other Federal Agencies, and from the Food Research and Action Center, the Center on Budget and Policy Priorities, and the National Council of State Human Service Administrators, American Public Welfare Association. Also included is a document, "Comparison of Food Stamp and AFDC Program Requirements with Recommendations for Change," submitted by the latter organization. (BJV)

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WELFARE REFORM PROPOSALS

HEARING

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER RELATIONS, AND NUTRITION

OF THE

COMMITTEE ON AGRICULTURE HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

MAY 5, 1987

Serial No. 100-15

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WELFARE REFORM PROPOSALS

TUESDAY, MAY 5, 1987

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS, AND NUTRITION,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:40 a.m., in room 1302, Longworth House Office Building, Hon. Leon E. Panetta (chairman of the subcommittee) presiding.

Present: Representatives Staggers, Glickman, Schuette, and Herger.

Staff present: Glenda L. Temple, clerk; James A. Rotherham, Elizabeth Turner, Bernard Brenner, Anita R. Brown, and Lynn Gallagher.

OPENING STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. PANETTA. The Subcommittee on Domestic Marketing, Consumer Relations and Nutrition is in session for the purpose of considering the issue of welfare reform, particularly as it applies to food stamps.

This morning's hearing deals with what is probably the most intractable issue we confront in social programs, which is how to reform the welfare system. It has been an issue that I have seen not only as a legislative assistant to a United States Senator, but as an aide in the then-Department of Health, Education and Welfare, as well as here in the Congress.

There is pretty universal agreement that regardless of where one is on the political spectrum, there are certain ultimate objectives that have to be achieved for a successful welfare system.

What are these objectives? One, to ensure that those who can work have the skills and opportunity to work, and ultimately, to become self-sufficient. Two, to ensure that those who cannot work are given sufficient income to allow them and their children to live in dignity.

Three, to provide nurturing and education so that the one-quarter of our Nation's children who spend part of their youth in poverty grow up to be contributing adults who do not perpetuate intergenerational welfare dependency.

Four, to achieve these first three objectives without subjecting America's poor to a bureaucratic maze within a paper forest of different forms, applications, and requirements.

Achieving these objectives is obviously not an easy task. We can enact the best training program the country has ever seen, as an example, but if the economy is so weak that jobs are not available for its graduates, the program simply will not work.

No welfare system can prevent illegitimacy and the breakup of marriages, two of the factors which have played a significant role in creating the current welfare mess. How to encourage family stability is something we, as a society, are only beginning to address. No institution in our society has easy solutions to this problem.

Even though welfare reform will be difficult, we cannot afford to leave the welfare system alone. If we do nothing, we can never achieve a just and humane society in which all Americans have an opportunity to contribute toward the common good.

The House has already begun to reform one of the oldest Federal welfare programs, Aid to Families with Dependent Children. The bill, the Family Welfare Reform Act of 1987, H.R. 1720, now pending before the full Ways and Means Committee, includes benefit reforms, a new employment and training program, and steps to ensure that absent parents meet their moral and legal obligations to provide financial support for their children.

But we cannot achieve true welfare reform if we simply reform one program, and that is why this subcommittee needs to know what changes in the Food Stamp Program are needed to ensure that we have an integrated welfare system. At a minimum, we need to ensure that in the name of welfare reform, we do not proliferate welfare or employment and training programs, nor do we want to increase program complexity.

There are several areas in which we are particularly interested in receiving testimony this morning. The first area is employment and training. Thanks to the bipartisan cooperation and significant contributions of my ranking minority colleague, Bill Emerson, this subcommittee developed in the Food Security Act of 1985, an innovative employment and training program which is now being implemented.

This program gives the States the option to try varying approaches for employment and training; it is a flexible approach that has been emulated in many of the employment and training proposals that the Congress is now considering.

Last September, we had a hearing on the program. We received testimony that the funding levels might not be sufficient to give States the opportunity to try innovative approaches, which might be costly in the short-run without yielding significant long-run savings.

I personally find intriguing the approach suggested in H.R. 1720, which allows States the option to conduct intensive training programs, while requiring States to share the cost of those programs.

Another issue of interest is whether we can develop performance standards for employment and training programs, which measure success in terms of job placement, not simply participation in training.

A second area of concern is to ensure that we coordinate and simplify welfare programs. At an absolute minimum, we need one-stop service for welfare recipients, something that both Bill Emerson and I advocate.

We should also have a common application form for food stamps and AFDC, or the Family Support Plan, as it would become under H.R. 1720.

We should also have coordinated benefit structures to the maximum extent possible. H.R. 1720, as approved by the Public Assistance Subcommittee, would establish a commission with congressional, State, public and executive branch representation to attempt to come up with suggestion to coordinate policies between food stamp and the new Family Support Program.

I am pleased that the congressional input which I recommended last month in testimony, by the subcommittee, was adopted. Frankly, I do not think that we should simply punt the issue to a commission. We owe it to those who administer these programs, and to those who run a bureaucratic obstacle course, to get benefits for people, to make a downpayment this year on simplification and better program coordination.

I think we also need to ensure that we consider alternatives to the current welfare system. For that reason, I am pleased that we will be hearing testimony this morning about an innovative approach that has been developed by Washington State. At the same time, I oppose simply funding a few demonstration projects and taking no action on welfare reform, itself.

We have been studying, experimenting and funding demonstration projects in welfare and employment and training for more than two decades. I should hope that we have learned something by now.

Finally, we want to ensure that benefits are adequate. I have repeatedly gone on record that we need an increase in the basic food stamp benefit. This was proposed in the hunger relief bill, which was introduced last year, and I intend to introduce the same legislation in the near future.

Frankly, my frustration about welfare reform and the comprehensive agenda for nutrition program improvements, which will be included in the Hunger Relief Act, reflects the fact that we cannot deliver on real benefit reforms that are needed until we get our fiscal house in order.

Our dilemma, however, is that we cannot afford not to act with regard to this whole issue of welfare reform because the cost of lost human potential and blighted lives is so huge.

So for that reason, we will proceed with hearing testimony with regard to element of welfare reform. I think we have to be careful not to raise a great deal of hope, that somehow welfare reform will be dramatically comprehensive, mainly because any kind of welfare reform is going to involve costs, and that is very difficult in the kind of fiscal situation that we now face.

On the other hand, I think there are steps that can be taken. I think welfare reform is basically going to be an incremental process, and that is not all bad. There are good things that are in the welfare system today that we ought to recognize and try to maintain. But the changes that do need to be made, whether it is on simplification or job training, or job placement, are the areas that I think we can and must address in this session of the Congress.

I look forward to the testimony that is going to be offered today, because we will be participating in that process on the House side.

Mr. Staggers.

Mr. STAGGERS. I have no opening statement, Mr. Chairman, but I do look forward to the hearing and I thank you for your leadership on this issue.

Mr. PANETTA. Mr. Schuette.

OPENING STATEMENT OF HON. BILL SCHUETTE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. SCHUETTE. Thank you, Mr. Chairman. I am pleased that you have convened our subcommittee today. I know that the House, as a whole, will be debating and assessing various welfare reform proposals, be it H.R. 1720, or a different version, H.R. 1985. I think it is appropriate that within our jurisdiction, that we, indeed, assess this issue—possibly those two bills—but certainly our focus which you have outlined in great detail is an appropriate one. I just want to say that I think it is a wise and correct decision that you have made in calling this hearing today.

Thank you, Mr. Chairman.

Mr. PANETTA. Our first witness today will be the Honorable John Bode, who is Assistant Secretary for Food and Consumer Services at USDA. John is the Department of Agriculture representative on the Domestic Council who deliberated the welfare reform issue last year.

We welcome you here, and look forward to your testimony, and as always, you may submit your testimony for the record, and without objection, it will be incorporated in the record, and you can either read it or summarize it, as you wish.

STATEMENT OF JOHN W. BODE, ASSISTANT SECRETARY, FOOD AND CONSUMER SERVICES, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY ANNA KONDRATAS, ACTING ADMINISTRATOR, FOOD AND NUTRITION SERVICE

Mr. BODE. Thank you, Mr. Chairman. I will summarize my testimony. I am pleased to be joined today by Anna Kondratas, the Acting Administrator of the Food and Nutrition Service. And, of course, we appreciate the opportunity to testify before this subcommittee on this very important subject.

Just over a year ago, in the State of the Union Address, President Reagan called for an evaluation of our Nation's welfare system. In response, he received a report entitled, "Up from Dependency." Those familiar with public assistance have not been surprised by its conclusions.

The welfare system is large; over $132 billion in Federal and State monies were spent in 1985 to provide at least some benefits to more than 52 million Americans. The system is incredibly complex.

There are over 50 major Federal welfare programs directed by eight major Federal departments and administered through numerous agencies in the States and Territories. Clearly, this system needs to be overhauled.

While there is consensus on the direction of reform, there are many issues for which there is no agreement. Furthermore, when

it comes to restructuring our welfare system, current research does not tell us what will work and will not on a systemwide basis.

President Reagan has transmitted to Congress a proposed invitation for each of the States to restructure and improve our Nation's welfare system. It has been introduced as the Low-Income Opportunity Improvement Act of 1987, H.R. 1288.

Under this proposal, States would file for waiver authority to establish demonstration projects to test promising ideas for realignment of today's patchwork of programs. Each demonstration would receive the same Federal and required State funding as the program it supercedes. The States filing would make clear exactly what the State intends to do.

Along with other specifics of the scope of the demonstration, the filing must describe the evaluation efforts the State plans to undertake. Of course, at the end of each demonstration, we intend to have acceptable evidence as to whether the demonstration succeeded in its objectives or not.

In this way, the entire welfare system, rather than just a few programs, can be examined and improved.

Mr. Chairman, the States need a single place in the Federal Government to bring their reform ideas, so we propose an Interagency Low-Income Opportunity Board. It would certify appropriate State filings, oversee the demonstration projects and report regularly to Congress.

Of course, the Board would take care that the rights of low-income people are protected, and that the needs of low-income people are met. The Board would be composed of its chairman, who would be appointed by the President, and the representatives of the Departments with responsibility for the Federal programs that are affected.

The proposal does not prevent us from improving present welfare programs. The administration has sent to Congress some of our ideas along these lines. However, incremental improvement should not distract us from exploring a fundamental realignment of our welfare system.

These demonstrations would result in more low-income families achieving self-sufficiency. They would show us how to target the taxpayers' dollars better to those in need, to encourage employment, and to increase individual choice.

We appreciate the committee's interest in our proposal and look forward to answering your questions.

[The prepared statement of Mr. Bode appears at the conclusion of the hearing.]

Mr. PANETTA. Mr. Bode, could you give us the position of the administration with regard to H.R. 1720?

Mr. BODE. Mr. Chairman, we are opposed to H.R. 1720. Since that legislation directs itself to the AFDC Program and other matters under the jurisdiction of the Ways and Means Committee and administered by Health and Human Services, I am not prepared to testify on it in great detail. I can tell you that the administration is strongly opposed to it.

I consulted my colleagues, and with their assistance, included some general statements about that legislation in my testimony, since you inquired about it.

Mr. PANETTA. Well, let me ask you with regard to the employment and training area, do you have any suggestions for improving the employment and training section that was added to the Food Security Act 2 years ago?

What is your sense about what can be done to improve the employment and training?

Mr. BODE. Mr. Chairman, we just received plans from each State and have approved the first 6 months of operation start-up plans for employment and training programs. I think, with a few exceptions, that is going pretty well.

We are very much in a start-up phase. I think the most appropriate course of action for us in the Food Stamp Program is to continue to pursue the employment and training program that you and others worked very hard to put into place, and is now beginning to work, rather than to revise it before it is really in operation.

I believe that program is structured so that whatever happens with AFDC, it will fall into place alongside AFDC employment and training activities, and will work in a supportive fashion.

Mr. PANETTA. Have all the States now submitted their plans under this proposal?

Mr. BODE. Yes, sir; they have. All of them are now approved for the first 6 months of operation.

Mr. PANETTA. You haven't had a chance to observe those plans going into effect?

Mr. BODE. No, sir.

Mr. PANETTA. Just begun?

Mr. BODE. Just starting up.

Mr. PANETTA. Again, part of the problem is going to be adequate funding for any kind of job training program. Do you have any reaction to the idea of cost sharing by the States on any kind of employment and training program?

Mr. BODE. Once again, I go back to our commitment to try to work within the guidelines of the present employment and training program. I think it has drawn some innovative ideas from States, and we are seeing a good deal come along.

I really would not care to say more in terms of expanded Federal funding.

Mr. PANETTA. I would not imagine you would object very strongly, if we increased the States' share of cost on that.

Mr. BODE. We have traditionally felt that it is appropriate for the States to share in the cost of employment and training activities because that is a regular function of the administrative responsibility of running the Food Stamp Program, and, therefore, have taken that approach consistently.

Mr. PANETTA. Let me ask you, and I don't know how the States have addressed this issue. In the GAIN Program, California needs additional costs in two areas: one is day care provision for those that are going to seek employment and training programs, and the other is remedial education.

California has found that a lot of people don't even have the basic skills to get in an employment and training program; that essentially what these programs are going to have to do is develop large-scale remedial education for these individuals so they can even begin to deal with it.

I would be interested your comments in these two areas.

Mr. BODE. I think that the educational deficiencies, in particular, are a problem we have seen across the country, not just in California. That is why the employment and training program regulations, which after consulting with you and other members of the committee, we promulgated, recognize the need for those basic requirements and skills to be developed.

Mr. PANETTA. They are almost essential, aren't they, to make an employment and training program work?

Mr. BODE. It is difficult to find any prospective employer for almost any job, someone who is ready to hire a worker who cannot read, because of the liability concerns. It is just a strong burden placed on a prospective employer, when he takes on an employee who cannot read.

Those basic skills are very important for employability.

Mr. PANETTA. How about the issue of—it is something that I think you have recommended in the past, which is performance standards for employment and training programs? What is your view on that?

Mr. BODE. We feel strongly that a large portion of the work registrants in the Food Stamp Program should be involved in the employment and training activities. That has been our basis for urging performance standards, so that we reach a large number of people in the Food Stamp Program who could be getting jobs and help them with our program efforts, to move into the work place more quickly.

Our research has indicated that reaching more food stamp recipients, even with a less intensive-type activity, it speeds their movement into the work force. It is helpful to them and, of course, helpful to the taxpayers, who, therefore, are not paying for the cost of welfare assistance.

Mr. PANETTA. On the simplification issue, my understanding is that the Department of Agriculture and Health and Human Services are looking at simplification proposals. I would assume that that is another area that you are looking at, at least some improvements with regard to simplification.

Mr. BODE. Yes, sir. I have contacted the Department of Health and Human Services and also the Office of Management and Budget, in trying to get underway an effort to simplify, wherever we could administratively, operations of the food stamp and AFDC programs, and also look at where we might address simplifications legislatively. So many of the complications go back to the great specificity in the statutes for both programs.

That work is under way, and as you know, as far as administrative discretion goes, we have been working on a rulemaking to simplify and make more similar the requirements of the two programs.

Mr. PANETTA. I guess what I am concerned about is the President, in his State of the Union Message, in 1986, indicated that he had asked the administration to come forward with a welfare reform proposal, only to have now what is essential a recommendation that there be a series of demonstration projects, which in my book is basically saying we can't come up with specific answers, but we are interested in looking at a lot of pilot programs.

Wouldn't it make some sense if we could look at performance standards, if we could look at some improvements at funding and employment and training, if we could look at simplification issues. Would it make some sense to move in that direction now? We don't need demonstration projects to do that.

Mr. BODE. I think we certainly do need the demonstration projects, Mr. Chairman. The reason is that in talking about welfare reform, it is important that we look at the entire welfare system, with over 50 Federal programs and many more programs at the State levels. We don't address the whole system or even a major part of it, when we modify one program or another.

Those incremental changes in one program or another should be considered on the strength of their own merits. The administration has advocated some changes and would be pleased to work with you on any suggestions you have. But I don't think we should lose this opportunity to demonstrate and test innovative efforts to reform the entire welfare system.

It is ironic to me that in one sense the President's proposal is criticized for not being enough, that it is just some demonstration projects, while others are proposing that it be curtailed and that the number of demonstrations that could be undertaken be sharply limited.

Those approaches are inconsistent. We feel it is most appropriate to aggressively pursue areas for potential improvement in our entire welfare system, and to recognize that the whole country is not the same. What works well in one area might not work as well elsewhere. Some flexibility would greatly benefit the overall system.

That is what I have heard recently when I talked with Governor Hunt in Alabama, and last week with Governor Campbell in South Carolina; and the same sort of message the week before in Tennessee.

They are concerned that some more flexibility would enable them to improve the welfare system.

Mr. PANETTA. I will be very interested if flexibility alone satisfies their efforts.

Mr. BODE. I think that many Governors would certainly prefer to have a good deal more money from the Federal Government, too, but they also recognize, some more than others, that there are limits on the ability of the Federal Government to come forward with ever more money.

Many of them from both sides, Democrats and Republicans, have indicated that given the fixed amount of money, if they had the flexibility they think some improvements could be made in the operation of this system, in particular in addressing the needs of low-income Americans. Instead of looking at our system of programs, program by program, department by department, we need to look at the needs of an individual or a family and move from those needs to structuring services for them.

It could be a streamlined operation and more effectively address those particular needs.

Mr. PANETTA. I do hope that as we proceed in looking at specific changes, we can have your cooperation in those areas. My concern is that any time you resort to demonstration projects, it is a good

vehicle to basically avoid a lot of tough choices that have to be made on this issue.

I think we have enough experience from Massachusetts, California and the other States that are beginning to implement these ideas, to at least make some changes certainly with regard to simplification. Simplification is not a matter of waiting for a demonstration project, or what we need in employment and training, frankly, is not a matter of waiting for another demonstration project.

I think these are decisions that could be made now. My concern is that the more we have the States doing demonstration projects, or indicate that that somehow is going to resolve this—it is a little bit like dealing with the deficit issue and saying that maybe we ought to deal with demonstration projects in how to deal with the deficit issue.

The choices are not very easy; they are damn tough and nobody wants to make them, and I think the same thing is true on welfare reform. The choices are very tough. You have to face the funding issue, you have to face what you do on employment and training to make it work; you have to face the education issue, day care; you have to face benefits.

All of these areas are very tough and nobody likes to do it. So what everybody does is kind of demagogue the issue of employment and training, and say that is the answer to welfare reform. You have to take the next step; how do you get employment and training that works? It takes an investment to make it work, and that is the problem.

Mr. BODE. Employment and training is only addressing a portion of the caseload, a minority of it. There are many other people who need assistance, and if assistance provided to them can be improved, we certainly shouldn't let that opportunity go by. I think it is much more than employment and training.

In addition, we are very proud of the research efforts that we have put into employment and training activities for the food stamp population work registrants, and are pleased to work with you on that to improve the system. So we are not opposed to incremental reform in any of our programs. The administration has made some substantial recommendations for improvement in employment and training activities as it concerns AFDC.

We don't feel that implementing sweeping changes in our welfare system that do not have a basis in research is prudent since there are tens of millions of people who rely on these programs and a tremendous amount of the taxpayers' money invested. We should find out where those changes are likely to lead us before we charge down that path.

Mr. PANETTA. I don't disagree with the fact that we need to learn from those experiences. Fortunately, I think in the food stamp area, we are a little ahead of the game, frankly, because we have implemented the beginnings of the employment and training program. I think we are going to be able to see what those results are a lot more quickly than some of the other ideas that have been thrown out.

We do need to learn from that.

Mr. Staggers.

Mr. STAGGERS. Thank you, Mr. Chairman. I would like to follow your line of questioning and I could not agree with you more. It does appear that with additional demonstration projects, it is simply a way to postpone hard decisions.

In your prepared testimony, you talked about the fact that the welfare system is expensive and wasteful, and that, one, aside from the recipient, has the difficulty in keeping sight of the services and goals of the program.

You say there is no basis for predicting the effect of sweeping national reform, and it is not obvious that what works in one community or State would be effective anywhere else. Yet in response to the chairman's question, you state that basic skills are needed; that would be one element of reform, it seems to me, that doesn't need to be tested anymore.

I didn't recall listening to your response to the chairman's question, whether you responded to providing day care. The demographics would show that we need to address that problem. How do you feel about providing day care in a comprehensive reform package?

Mr. BODE. Mr. Staggers, first of all, I believe that we do have some research basis for taking action. The employment and training programs that we now have and are getting under way in the Food Stamp Program were structured with some sensitivity, to research done in particular with the Food Stamp Program.

Where we have research, we certainly should act upon it, and that is a sound course of action. We are not at all opposed to incremental reforms, or modifications of the programs. We should improve our programs anywhere we can.

I was referring to the lack of information or research base on a broader systemwide welfare approach—in sweeping changes of that sort. We simply do not have experience and research to support those kind of modifications.

With respect to the child care point, I am sorry, I failed to respond to that when the chairman asked. We do not feel that we know enough about that to come forward with recommendations at this time. We do see the Low-Income Opportunity Improvement Act, the President's proposal, as an extraordinary opportunity to pursue means of addressing child care support activities in conjunction with employment and training activities.

For example, one of the programs that I work with is the child care food program. As it operates in family day care homes, over two-thirds of the assistance in that program is provided to families with income above 185 percent of the poverty level. That is over $20,000 a year for a family of four. That is very poor targeting of monies in a child care-related activity.

Certainly it is not going to help those in greatest need of assistance. The President's proposal would provide an opportunity to redirect some of those monies to more effective means of providing child care support. Some would contend that that is not enough, but it is $175 million and I think that is enough money to talk about.

Mr. STAGGERS. So you do believe that there is need, as we look at this——

Mr. BODE. I think we should aggressively explore the most appropriate ways to structure our employment and training activities, as

well as support functions that operate in conjunction with them. Right now, I don't think we know how those child care support functions would most appropriately be structured, or the extent to which government intervention is appropriate.

Mr. STAGGERS. So if we come up with something, you are not going to attack the goals of our proposal, it would be the method of our madness.

Mr. BODE. Mr. Staggers, I would be delighted to work you as best we can. I like to think that any criticisms we direct at a proposal would have a good basis.

Mr. STAGGERS. If I would be allowed a little more time.

Mr. PANETTA. Yes.

Mr. STAGGERS. In outlining your demonstration proposals, you mentioned a few examples of why you are committed to the demonstration proposals. It doesn't appear to me that the States make out that much. You talk about how they have to be made exactly clear what the proposals do.

You say that what works in one State won't work in another State; demonstration proposals may not be extrapolated to West Virginia, especially with training, because if there are no jobs there is no success story, if the economy is not there.

You talk about goals of the proposal and allowing the States to keep any funds they save in reducing dependency. It seems to me that that is somewhat twisted logic. We are providing an incentive to ignore problems. Is that a goal of what these demonstration proposals will do? You have already heard my criticism that this may be a way of just ignoring the problems and passing the buck to the States.

Now we are rewarding them if they will take people off the rolls.

Mr. BODE. I certainly don't think so, Congressman. The requirement in the legislation is for all of the money to be dedicated to addressing the needs of low-income people in the demonstration area. If money is saved, then that money must be redirected to efforts to address the needs of low-income Americans.

There is no incentive to divert monies from low-income support, or assistance activities to other projects. The money must go to activities to support low-income people. I just don't see any incentive of that sort.

Furthermore, with respect to demonstrations, this is the way—to my knowledge, the only way that we can address the welfare system as a complete system and find ways to improve it.

Mr. STAGGERS. Demonstration programs may show additional answers, as you mentioned, in specific areas. I think there are differences that exist, for instance, myself and members of the administration—Members of Congress and the Administration. I think those differences will always exist. The needs are now, and the studies will not really resolve the differences.

Mr. BODE. I beg your pardon, sir. I didn't hear the last remark.

Mr. STAGGERS. I think the differences are real, and the studies are not really going to resolve those differences. We are going to have to face these questions.

Mr. BODE. If I may, sir, there was one other point that you made and I failed to address when I should have. That was, in going

through my testimony, you pointed out that the States were not going to make out real well in terms of increased funding.

Mr. STAGGERS. That is my West Virginia upbringing.

Mr. BODE. This proposal differs significantly from past block grant proposals, in that it is a genuine evaluation effort. It is going to be important for each demonstration project to have an evaluation phase or component. It is different from those block grant sort of ideas in several respects; primarily because of the evaluation phase.

It was not designed to be something where States would make out real well necessarily in every case, but instead, where there would be incentives for States to undertake projects which would allow then to improve significantly the operation of the overall welfare system.

Mr. STAGGERS. I was in the State legislature when block grants came into effect. I can remember being told how lucky we were that we were going to provide more flexibility; we were going to get less money. The flexibility really was not given. It looks like these demonstration proposals are going to have a lot of strings attached.

We are going to have to come up with some methods—we are going to be rewarded—if we can save money to our State treasuries, which I know West Virginia right now is having a very hard time—you may be right and I hope that you are.

I think the differences between my views and other Members of Congress are always going to exist with either yourself or whoever is sitting in that position in this administration. I don't think that we are going to resolve these by demonstration projects. I think that we can in fact identify what some of the problems are and what the remedies should be.

That is now; not 10 years from now.

Thank you, Mr. Chairman.

Mr. PANETTA. Mr. Schuette.

Mr. SCHUETTE. Thank you, Mr. Chairman. Mr. Bode, would you care to comment on the administration's position on H.R. 1985, introduced by Brown from Colorado.

Mr. BODE. Mr. Schuette, that, too, really addresses programs under the jurisdiction of the Department of Health and Human Services. I am not prepared to address it in detail. I know that Mr. Brown and others worked closely with White House staff, as well as officials at HHS in its development. We were very encouraged and impressed with most aspects of that bill.

I would be very pleased to respond and direct that to you as quickly as possible.

Mr. SCHUETTE. If you would, I would appreciate it.

Mr. BODE. Yes, sir.

Mr. SCHUETTE. Thank you. As my colleague and friend from California has mentioned, and the gentleman from West Virginia, people are often talking about the need to make changes in the welfare system. It seems to me there are two approaches.

You can reform the existing system or you can take wholesale new approaches.

The administration is always talking about the flexibility of the States in decisionmaking, and I appreciate that in my State of

Michigan. But also within your statement, there was a great deal of discussion about demonstration projects.

Is it your intent that the demonstration projects are a method of determining the extent to which you will give States flexibility, or is this a compromise approach to wholesale block grants to the States where States are free from guidelines from the Federal Government?

Mr. BODE. Mr. Schuette, we are interested in exploring both avenues of reform of the welfare system. We have proposed some incremental changes and are eager to work with you and others in changes in any program where the evidence and research seem to indicate a proposal would have merit.

We also think that we ought to explore a systemwide reform approach, and that is what the demonstration projects are designed to do. It is not a block grant approach in that States are given flexibility in designing demonstrations which would then be evaluated.

We don't think we should direct States on how to modify the welfare system because we don't think we have all the answers for a given State. But instead, the State should have a great deal of flexibility in designing those demonstrations for broad reform of our welfare system. Let's give them a try, let's evaluate the effectiveness of these alternative systems that are in effect and demonstrated, and from there, we will have more knowledge on how most effectively to proceed.

Mr. SCHUETTE. Thank you, Mr. Chairman. I yield back my time.

Mr. PANETTA. Thank you. Just a couple of additional questions, Mr. Bode. On the education component, one of the concerns that has been raised is some language that was inserted by OMB with regards to an education component that left the question open as to whether in fact education components would be approved.

I guess my question is, if there are educational components that are intended to assist those on food stamps as part of the employment and training program, what is the position of the Department with regard to those kinds of components?

Mr. BODE. May I say, first of all, Mr. Chairman, we appreciate working with OMB and others in reviewing regulations. There was nothing in that regulation that the Department of Agriculture did not feel was appropriate. I just don't want to leap past that comment and imply that something was in the regulations over our objections.

We felt that it was very important not to allow the Food Stamp Program employment and training programs to supplant State activities in educational functions, especially as it addressed this population.

We felt that any additional activities and efforts in providing basic skills should be in addition to, rather than in lieu of, what the States were otherwise doing.

Is that responsive to your question, sir?

Mr. PANETTA. Let me ask you, if a State comes back and includes an educational component as part of their employment and training program that they have developed, is that or is that not allowable?

Mr. BODE. There are 25 States that we have approved that have some type of educational component, sir.

Mr. PANETTA. Let me ask on this Interagency Low-Income Opportunity Board, which I take it is kind of a filtering system for the demonstration projects? Is that the way it is designed?

Mr. BODE. May I say a word—I am a little concerned that "filtering" might not be the way that I would describe it. The Board is, in essence, a central point where a State can go with its filing for demonstration authority. It would be composed of a chairman, as well as representatives from the departments with programs affected by the demonstration projects.

It would coordinate reviews by the respective departments and ensure that the State receives an expeditious response to its filing.

Mr. PANETTA. Is this the Board that would provide approval for the demonstration?

Mr. BODE. Yes, sir.

Mr. PANETTA. My understanding is that both States—how about communities? What if cities were applying for a demonstration project, would they apply directly through the Board, or would they have to go through the State?

Mr. BODE. They would have to go through the State. We feel that communities should be involved and that some demonstration projects should be developed at the local level. But we feel it is essential that local demonstrations go through the State and that they should be done in cooperation with the State.

Mr. PANETTA. Are there any guidelines established in terms of the demonstration projects in the sense that—let me give you an example: What if the State came back to you and said that one of the things we intend to do is to reduce all the benefit levels that go to participants in these programs, and use the funding for administration or for some other use of the program? Do you have any lines in terms of if a State in fact did propose reducing benefits, do you draw the line on that, or would you allow a State to do that?

Mr. BODE. There are a number of criteria specifically stated in the legislation. The very first one is to consider how the essential needs of the low-income population are addressed in the demonstration project. There is not an all-purpose statement that no one's benefit through any program will ever be reduced.

That would have prevented simplified application activities and other reforms that we have explored with some success in food stamps. That sort of very strict limiting factor is not included, but there is a guideline, against which the demonstration proposals would be judged, to determine whether or not the essential needs of the low-income population are addressed.

Mr. PANETTA. Is the basis for funding just largely based on what that State received in the prior year?

Mr. BODE. I think the prior year's funding would be an important factor in determining what the funding would be in a coming year. It is our intention to provide the State the funding it would have received for the programs that are superceded.

We recognize that that kind of a looking forward funding activity is always going to be tough to do. It will involve some negotiation between the State and Federal levels, I would think. One important clause included in the legislation assures the States that they

would not be lured into a demonstration project and then stuck with a level of funding they would not later be happy with—the Governor has the authority to drop a demonstration proposal at any time if he feels that it is not working effectively to serve low-income people in the State.

Mr. PANETTA. Is that something the Interagency Board would also be looking at?

Mr. BODE. The Board would also have the authority to terminate a project.

Mr. PANETTA. The Board would.

Mr. BODE. Yes, sir. The Board or the State; either one could terminate a project.

Mr. PANETTA. Thank you, very much for your testimony.

Mr. BODE. Thank you.

The next witness is Mr. Jule Sugarman, secretary of the Department of Social and Health Services for the State of Washington.

The legislature of Washington has just sent to the Governor a proposal for a 5-year welfare reform demonstration project that includes essentially a cash-out of the Food Stamp Program. Mr. Sugarman is somebody I worked with at the Department of Health, Education and Welfare; also in New York City, when I was up there, so I know his work very well. I welcome you to the subcommittee.

You may proceed with your statement. Your statement will be made part of the record, and you can either read it or summarize it as you wish.

STATEMENT OF JULE M. SUGARMAN, SECRETARY, WASHINGTON STATE DEPARTMENT OF SOCIAL AND HEALTH SERVICES, ACCOMPANIED BY GERALD REILLY, ASSISTANT SECRETARY

Mr. SUGARMAN. Thank you, Mr. Chairman. I would like to supplement my written statement by giving the subcommittee a little additional information. First, I should begin by saying that the State is strongly supportive of national welfare reform. I had the privilege of participating in the latter stages of formulating the Council of State Administrators and the American Public Welfare Association position, which is very similar to Congressman Ford's bill, H.R. 1720.

While we are very happy about the principles involved in that bill, I wish to express some disappointment that the scale of reduction that has been attached to it in the version which is going to be reported to the full committee. I think they started off with a very good plan. I think it has been somewhat reduced in its utility because of the limitations on funding.

Despite our support for national welfare reform, we believe that it is still desirable to proceed with a demonstration in the State of Washington, which we regard as a, if you will, a third stage in welfare reform, the current system being the first stage; H.R. 1720 being the second stage; and our proposal, the third stage.

I say that because we go beyond the scope of proposals made in H.R. 1720, and I think probably have the most comprehensive proposal for welfare reform that is currently on the table.

As the chairman indicated, this bill has been approved on a totally bipartisan basis by the State legislature, by a vote of 92 to 5 in the house of representatives, and by unanimous vote in the State senate. The Governor will be signing the bill within a few days.

I had the opportunity to review Chairman Panetta's testimony before the House Ways and Means Committee. I thought I might just take a minute to compare our proposal with some of the concerns expressed by the chairman.

Basically, what we are doing here is developing a program which we believe will involve 75 percent of our population, which we call enrollees in the Family Independence Program. 75 percent of them we expect to be involved in education, training and work.

We have developed a new incentive structure for participation in the program which provides 105 percent of the basic benefit level to those people involved in training and education; 115 percent to those involved in part-time work; and 135 percent to those involved in full-time work.

The benefit levels that we are talking about here are the State's basic standard payment, plus the cash equivalent of food stamps. We would propose to make a single system, in terms of assistance, combining cash benefits and the cash equivalent of food stamps.

However, there are some important features in that to retain the identity of the Food Stamp Program. First of all, it would continue to be an entitlement program, as would AFDC; secondly, the enrollee would be notified every month of the amount of their check which represented the cash equivalent of food stamps. Of course, we would have a separate accounting for the food stamps amounts so that the identity of food stamps within the total program is retained.

This is a 5-year demonstration program. We would expect to have a very thorough evaluation approved by the Secretary of Agriculture and the Secretary of Health and Human Services, and would think that a great deal of valuable information would be gained in terms of future reforms.

The program would continue to be operated basically under the authority of Title 4(a) of the Social Security Act, and the waivers which Congress would direct the Secretaries to make would be only those that are inconsistent with the Family Independence Program as approved by the State legislature.

Congressman Staggers asked about day care. I think our commitment to day care in this program is very large. As the Congressman may be aware, I was the national director of the Head Start Program in its early days and have had a continued and abiding interest in child development activities since then.

As a result, the program which we forecast starts from about a current level of about $8 million for day care, to the fifth year, by which time it will be $200 million a year.

I might say in that regard, one of my disappointments in H.R. 1720 is the dollar limitation set on day care. While they are a significant improvement in terms of what exists currently, they are far short of what it costs to buy day care.

In the city of Seattle, for example, about two-thirds of the day care centers there will simply not accept AFDC children because

our payment level is so low. We intend to pay the prevailing rate for child care under our proposal.

Several other points. There will be under our proposal a single place of application for AFDC, SSI and food stamps, and there will be a single application blank for the FIP Program and food stamps, if Congress approves.

It will be a simplified application and it will have common questions, if we are permitted to have the waivers that we request in terms of the basis for eligibility and the basis for determining the payment level. There will be an expedited decision process, so those who are in urgent need can receive within a matter of 5 days the necessary cash equivalent of food stamps to keep them together until a full determination can be made.

We are indeed very interested in the education aspects of the program. In fact, the legislature has mandated that we not interrupt any education program in process and that people be permitted to continue that program so that at the vo-tech level, the community college level and even in some cases, at the 4-year college level, a person will be permitted to continue their college education if it is deemed to be important to economic independence and self-sufficiency.

We are going to work with absent fathers, not in terms of any cash benefits, but in terms of including them in the employment and training programs and giving them the opportunity to also be able to contribute to the development of their family and the support of their family. There is a much strengthened support collection program as a part of this.

In fact, that program will provide about $28 million in the first year, and about $48 million by the fifth year of additional costs that help us to carry the cost of day care, and the cost of the incentive benefits and other features of the program.

We are planning to have an extended period of eligibility determination rather than the redetermination on a monthly basis, which is now part of the system. We plan to extend that to somewhere between 3 and 6 months, after a very careful initial investigation.

We want to take a very careful look of where the person is when they are admitted to the rolls, but at that point allow them a sustained period of eligibility.

We have a unique administrative structure for this operation in that an executive committee is created, chaired by the Secretary of Social and Health Services, and including another person from that Department, the Commissioner of Employment Security, and another person from his Department, and a representative of the Office of Finance Management, which is our equivalent of OMB.

In effect, we will have a five-member board that will administer this program and will assure, I think, a tighter integration of employment security and training activities and those of the Department of Social and Health Services.

We welcome the chairman's emphasis on additional financing for employment and training activities. Our plan simply contemplates reimbursement at the standard AFDC rate, but we would be delighted to have 75 percent, if that were possible.

We will be developing performance standards in the contracting for employment and training. They are already used to some extent in the activities of the Employment Securities Department.

The bottom line of our program is a very substantial improvement in the situation for families participating in the FIP Program. Currently, they are receiving a combination of food stamps and cash assistance, about 85 percent of the poverty level. Under our program, they will be receiving, if they work, about 115 percent of the poverty level. Instead of the current systems of disincentives of going to work, we believe we have a very positive incentive.

They will have free child care until they reach the maximum financial eligibility, and then for a year beyond that. They will have free medical care until they reach a maximum dollar level, and then for a year beyond that.

We expect that to be of substantial benefit to them. During the subsequent year, there will be a matching requirement not to exceed 25 percent of the cost for child care and 25 percent of the cost for health care.

Let me say that we are very interested in a timely approval of this program. The legislature has mandated that we may begin the program by March 1, 1988, which I think is essentially 18 months in advance of what would be possible under H.R. 1720, provided we receive necessary congressional approvals, and the legislature reapproves the program next January or February.

We are in fact proceeding with administrative planning now and Assistant Secretary Riley, who is in charge of economic and medical assistance, will be working very closely on that program to be sure that we are ready, if we have the necessary congressional approvals and reapproval of the State legislature.

Let me say just in summary that I believe that the proposal here is very compatible with the thrust of this committee, in terms of integration of food stamps. I think it also protects the identify of the Food Stamp Program in terms of separately identifying the amounts and accounting for those amounts, and I believe it will give the Congress some real solid experience against which future generations of welfare reform can be considered and adopted.

Thank you, Mr. Chairman. I would be glad to respond to questions.

[The prepared statement of Mr. Sugarman appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you, very much, Mr. Sugarman. I think both you, and obviously the State of Washington, deserve a great deal of credit in trying to take a hard look at some of these programs and seeing if you could come up with something that is innovative.

What are the costs of this program at the State level?

Mr. SUGARMAN. We believe the costs are budget neutral in the sense that we have the same total amount of Federal and State funds being spent, but spent in different ways. The one supplementary source of funds which I mentioned is the child support funds which would be allocated to this program and which I think are a natural part of it.

In addition, it is premised on the assumption that we can put people to work earlier than under the current program, and the expedited system that we have will do that.

There is an issue on budget neutrality which we would like to discuss with the committee or its staff, and that is whether it needs to be budget neutral over a 5-year period, or for each year within the program. We can do it either way.

The basic difference is that we would calibrate our program to 100 percent of the Thrifty Food Program, if it were possible to balance it over 5 years. If we had to do it in each year, then we would go to 90 percent of the Thrifty Food Program, which is still within the limits of the current Food Stamp Program.

Mr. PANETTA. You are saying that the guaranteed day care, the work on literacy, the reimbursement for work related expenses and all of that would be budget neutral?

Mr. SUGARMAN. Yes, we are. I should say that we have moved away from the various kinds of exemptions and deductions that are in the current system to an integrated package that really is related to gross-income levels.

We have two essentially remaining income disregards; one which relates to the earned income tax credit, and one which relates to the child support payments. Other than that, we look at the family's total income and determine what should be provided, so that at the 135 percent level, the individual is expected to account for transportation costs, clothing costs and things like that.

The child care and medical care as aside from that, but we do not have the complicated system of disregards that exists in the current program. The net impact of that, we believe, is for families involved in the program, they will certainly be better off than the current system and we believe that they will be equal to or better than the benefits provided in H.R. 1720.

Mr. PANETTA. What are the number of individuals currently receive welfare assistance/food stamps who would be targeted by this program? In other words, you obviously have assistance for the blind and disabled, the elderly—those who are not able to work. What is the number that you are looking at?

What percentage does that represent of your program?

Mr. SUGARMAN. We have 180,000 people in total that are currently covered by the program. That includes approximately 70,000 families, under the AFDC Program, plus some families in the general assistance program, plus the Social Security.

No one would lose eligibility for food stamps or cash equivalent for food stamps under our proposal. Everybody is protected against any loss in benefits, and that is mandated in the State legislation.

Mr. PANETTA. But do you know the number of people that you would have to place in jobs under your program? What does that number come to?

Mr. SUGARMAN. We believe that in the first year of the program, we will have roughly 16,000 people who will be placed in private sector jobs. In addition, we will use a process of job creation, converting welfare benefits to employment. In the first year, that will cover about 2,200 additional placements. By the fifth year, that will exceed 10,000 subsidized jobs.

I think that is one of the unique features which I did not comment on before; that this program recognizes that there are indeed job shortages, that there are simply not enough jobs for people who are quite willing and able to work.

We try to address that by the job subsidy program. Those jobs will be subsidized primarily in the voluntary sector, and to some extent in the public sector.

Typically they will involve work in hospitals, senior citizen centers, and day care, itself, and so forth.

Mr. PANETTA. So part of it will be, you will have to develop additional jobs in the community service area—is that what you are talking about?

Mr. SUGARMAN. Correct.

Mr. PANETTA. What is your unemployment rate in Washington right now?

Mr. SUGARMAN. The unemployment rate is running between 8 and 9 percent, but it is quite different in different parts of the State. The western part of the State is closer to 5 percent, and unfortunately, in central and eastern Washington, you have unemployment rates up to 14 and 15 percent.

Mr. PANETTA. So, I take it, in part, the success of this program will also depend on how the economy provides an increasing supply of jobs. Right? If you have a sour economy, you are going to have a tough time meeting these goals.

Mr. SUGARMAN. It is tougher, but our planning assumptions and our economic modeling is based on a continuation of the present situation, not a worsening of it, but a continuation. We all, of course, fervently hope for substantial improvement, and in fact, in the lumber industry, there is some improvement going on now. Agriculture is still badly hit, but lumber is improving.

Mr. PANETTA. On the issue of stamps versus cash-out, I guess the argument that is used to defend the use of food stamps is that you know that the benefits then are going to be used for the purpose of purchasing food. That has been part of the support, I think, on the Food Stamp Program, and the reason it hasn't been cashed out in the past is basically because food stamps are used strictly for the purchase of food.

I guess the question would be, if you are going to cash it out, what kind of follow up do you have to ensure that people are using that cash assistance for the same purpose.

Mr. SUGARMAN. There will be a very strong parent education component to this program, which will include family financial management and nutrition education. I think basically our objective in that is to assure that people understand what the needs of their children are and are responsive to them.

Frankly, there has always been a dichotomy on this issue between trying to develop people's independence and their sense of judgment, and mandating that they spend a certain amount for a particular purpose. I think we are all aware that there is at least a fraction of the population which, despite those protections, manages to sell their food stamps and use the money for other purposes.

I think our real purpose here is getting people educated to the point where they will do the things that are important to their

children and do them because they understand that they are important.

We are going to have a very strong program of involving former welfare recipients; people who have been through the experience and have now come into their own in working on a peer basis, if you will, or a model basis, if you will, with the newer welfare recipients.

We think that a lot of learning will go on through that experience.

The State has a strong interest in nutrition education in general, and we plan to expand on that.

Mr. PANETTA. The problem, as I have mentioned to you and others before, is the sad experience that we have had on block grant programs, such as Puerto Rico, with regards to funding levels—not so much how the program has worked or not work, but more the concern about funding levels.

Once you put that kind of program into a block grant, it becomes susceptible to being reduced, even though it should be increased based on cost of living increases or thrifty food baskets increases that would be provided.

We have, for example, on the Puerto Rico program, we have had continuing proposals by the administration to reduce the amount of block grant that was provided to Puerto Rico. We have tried to maintain it, but we are always constantly fighting that issue.

The concern obviously is the level of funding that is provided, because, to some extent, you depend on receiving that continuing level of funding, or increasing level of funding based on how these programs work now.

My understanding is that the Committee on Public Assistance said that cash assistance—and I am going to quote from a section of the Welfare Reform Act, "That cash assistance shall be furnished in a timely manner to all eligible individuals under the program and the State may not make expenditures for services under the program until it has paid all necessary cash assistance with no family receiving less in cash benefits than it would have received under the AFDC or FSP program."

I guess the question is, would you support a similar requirement for food stamps?

Mr. SUGARMAN. Yes, we would. In the draft specifications, which will provide to the committee, we would include such a feature. I think Governor Gardner, after his visit with you, was very impressed with the point that you made, and made very clear to us that he wanted the final version of the bill to include it.

We, in fact, worked out some language in cooperation with the Children's Defense Fund, which was designed to that same point; to assure that it would indeed be an entitlement program, and that it would grow if the need were to grow.

So that the legislation provides, for example, that if the food stamps benefit is increased, as you have suggested, that it automatically would be increased in the State, as well.

We do indeed depend on the Federal funds. This program will not work without a matching Federal contribution of the same proportion that we currently have. It is not a block grant in any sense of the word.

I would like to say that, perhaps in distinction to your prior witness's point of view of demonstrations, what we have suggested here is that we are giving you a very specific concrete plan, approved by the State legislature, so that if Congress agrees to this, they know what they are buying.

It is not a carte blanche authority, to just go do what we would like to do. I think the Congress is entitled to have that kind of information and make those kinds of judgments, and decide whether it is compatible with the general direction in which Congress wishes to go.

Mr. PANETTA. Thank you, very much, for your testimony and the work that you have done in this area.

Mr. Staggers.

Mr. STAGGERS. Thank you, Mr. Chairman. On that last point, I was flattered that you listened to my questions when you mentioned the day care. Obviously, you heard the response of Mr. Bode. You talked about demonstration projects.

In all fairness to the administration and to Mr. Bode, I would imagine if he was sitting here now he would ask you to elaborate your position on the demonstration projects, as far as comprehensive welfare reform. What would be your position in relation to the administration's proposal—let's wait and see and do demonstration projects perhaps?

Mr. SUGARMAN. I have a great deal of caution about the administration proposal, and frankly, about the motivations about which may underlie it. My concern is that it is so open-ended in the nature that is proposed, that it seems to me to permit States to do things that I would think are inappropriate in terms of national policy, and to, in effect, end benefits, reduce benefits, without commensurate increases in other benefits to the programs involved.

I guess historically I have been involved in these activities long enough to have an appreciation of what the Federal Government did achieve over the years in setting at a de minimis level of not only benefits, but the due process requirements which are built into Federal legislation, and which incidentally are incorporated in our legislation. I think they are very important.

I am not sure that they would survive in all States if they were left to their own druthers.

So I think that with the amount of Federal money involved here, it is important to have some national standards, some national objectives to guide it, and that States should not be left unfettered to do exactly what they want to do.

Mr. STAGGERS. In another role that is not characteristic of my views, how would you answer the criticism of some people—not myself—but that some people would say—who would include absent fathers in work projects.

How do you answer the criticism of some people who say that including absent fathers, including medical and day care, especially when they reach a certain income, they will do it a year after that; that actually that would reward negative behavior. You are making them better off than people who are out there working and have been working a long time.

How do you answer those types of criticism?

Mr. SUGARMAN. I think there are a couple of parts to the answer. One is that I view providing service to the absent fathers as a very positive thing in terms of encouraging family responsibility. It is one thing to beat somebody about the head because they are not providing for their child, but that is an impossible situation if they have no job, if they have no skills developed to the point where they can have a job.

So we have a two-pronged approach; one, we will give them that help, but secondly, we are going to insist then that through the child support system, they help to provide that care. I guess the second point I would make is that my prime concern, and the Governor's prime concern is the welfare of the children involved.

We want to be sure that nothing happens that is damaging to the children. That is why we must have a quality child care program, why we must have quality medical care services available to people, and why we must have better income.

I mean we have the existing situation where food stamps and AFDC together, in our State, equal 85 percent of the poverty level. That is a self-fulfilling prophecy that the kids are not going to be well taken care of. You can't buy enough food, you can't buy enough clothing, you can't have adequate housing. We are a relatively generous State.

For a family of three, I believe we rank seventh or eighth in the country in terms of our benefit level. And yet we consider it not good enough. At one point, we paid over the poverty level, but like many States we have seen those benefits erode over time.

Mr. STAGGERS. I believe you mentioned that you do support a broad comprehensive national policy.

Mr. SUGARMAN. We certainly do.

Mr. STAGGERS. Could you outline some of the things with which you would agree—I know you mentioned day care, but what about training and some of the other things?

Mr. SUGARMAN. I think education and training, and I use both words because I think both are important, are absolutely critical to serious welfare reform.

As the chairman has pointed out, in the State of California, they started off believing in education and training but had no idea of the scope of education and training that would be required to get people to the point of competence that they really could hold jobs.

I think that that is probably characteristic of all of our populations. The State of Washington's population is a little bit different than California. We do not have the concentration of urban poor that you find, we do not have the number of teenagers, or the proportion of teenagers that you find in some other States.

Nevertheless, there is just no question that education and training is an absolute requirement. As Pat Chote has pointed out recently, that is a requirement of our society today. As we change the nature of our economy, constant retraining of people is going to be an absolute essential.

Mr. STAGGERS. Thank you, for your testimony. Thank you, Mr. Chairman.

Mr. PANETTA. Jule, are you going to commit to me that you are not going to come back here and ask for money in 1987 if we should put this thing in place?

Mr. SUGARMAN. I would be happy to share our figures with you, and I hope that is right. I am in trouble with a lot of legislatures if we are not.

Mr. PANETTA. I hope you are right. My concern is that with the elements that you have as a part of this, and the problem—my concern is in looking at the economy at least in the next year, I don't see the economy taking off. I see the economy probably going through a destabilized period, in terms of growth, and so, at least for that first year I see trouble in terms of meeting your job needs.

Mr. SUGARMAN. I should point out, Mr. Chairman, that this is not a sudden conversion of everybody to this new program. It occurs over a 5-year period, so that we will have a substantial AFDC population during the early years.

I should also say that the experience in Washington State is that our service sector jobs have been relatively stable. They have not had the same kind of recession effect that manufacturing jobs experienced.

But the program is designed so that it can be calibrated to the economic situation, and by changing the flow of funds among the various parts, we can keep it in balance that way.

Nevertheless, like you, I hoped for a nationally improved economy, and certainly a Washington State improved economy.

Mr. PANETTA. I think everybody would benefit from that. But I guess that is my biggest concern right now because I think, at least what we are looking at at the Federal level is an economy that is rather slow or stagnant over the next couple of years. It may not be the case, and we hope it is not, but if it is, it is going to make your job a lot tougher.

Mr. SUGARMAN. True.

Mr. PANETTA. Thank you, both, very much.

The next witness is a familiar face around here. Robert Fersh is executive director of the Food Research and Action Center, Washington, DC, and former counsel to this subcommittee. His is always a welcome face before the subcommittee.

STATEMENT OF ROBERT J. FERSH, EXECUTIVE DIRECTOR, FOOD RESEARCH AND ACTION CENTER

Mr. FERSH. Thank you, Mr. Chairman. I will summarize my testimony and ask that the entire statement be included in the record.

Mr. PANETTA. Without objection, that will be the case, and you may proceed.

Mr. FERSH. I want to thank you for inviting us to testify today. We are very pleased to be here.

We think it is terribly important that the Food Stamp Program not be left out of the welfare reform debate. In some ways, we think it is the program that doesn't get enough respect—maybe the Rodney Dangerfield of welfare reform.

A sign of this, and I say this somewhat facetiously and some what seriously, is the fact that the Ways and Means subcommittee has chosen to label their program the Family Support Program, which has the initials FSP.

Those initials are already taken, Mr. Chairman. I think it is just a minor point, but it would be well worthwhile to have them

change the name so that we don't have two programs serving very vital functions, having the same exact initials. I guarantee there will be confusion for years should they keep that up.

Now much of my testimony addresses the issue of employment and training, I know of central concern to you and Mr. Emerson, and certainly that topic, employment and training and child support enforcement, are big new topic areas within welfare reform this year. But I do want, at the outset, emphasize there are two key areas that are terribly important and must be part of any welfare reform for it to be successful and responsive to the needs of low-income people.

One is there must be adequate benefits. There is just no question that there are many Americans today who are just not making it. You, yourself, through this subcommittee have documented a significant growth of hunger in this country, the growth of homelessness.

There are many people who simply will not be helped by increased employment and training programs, or by child support enforcement. We urge you to move ahead expeditiously with the fuller agenda of the Hunger Relief Act, especially keeping in mind that the benefit increases in H.R. 1720 really do not take effect for several years to come.

It is terribly important that we get some relief out to people who are suffering now. Children in poverty now, elderly people. We, in fact, just released a new study on elderly persons at nutritional risks. We released that about a week ago.

We found in over 50 percent of elderly people surveyed at elderly feeding sites and senior service centers, and welfare offices, said they did not have enough money to buy food. Well, employment and training programs and child support enforcement programs are not going to make the difference for this elderly population.

The second area I would like to emphasize before moving on to employment and training, is the notion of barriers to participation. I know that this subcommittee has been in the leadership in being concerned about this issue.

The GAO report issued last fall, in relation to Illinois, the upcoming studies, are terribly important. But as you well know, it doesn't mean a darn thing if you enact policy changes and people don't have access to benefits. We urge you to get even more fully involved, and have a fuller range of hearings, exercise closer oversight over USDA to make sure that people can get into the food stamp offices and get benefits; that the Social Security offices do in fact provide help in having people become food stamp recipients that are categorically eligible now, if they are on SSI.

The same goes for AFDC. We think that a lot more help could be given to coordinate those programs and make sure that people do not have the hassle of multiple program applications and mid-determination procedures.

In the area of employment and training, those of us who follow this closely do have some ambivalence. Of course, we are in favor of programs, if they are properly funded, they are supportive, and developmental; we are concerned if they are underfunded, or make the poor jump through hoops. They can become more of a policing

action by local welfare agencies, as opposed to a really helpful action.

One of the things that the MDRC, the Manpower Development Research Corporation, uncovered was in fact that the work ethic is alive and well amongst low-income people. They said they didn't have to create it, they found it was there.

So what we believe is, above all, strategy should be aimed at providing supportive helpful services to allow people of their own free will to participate in employment and training programs. We do think that the Food Stamp Act of 1985, part of the Food Security Act, did present a good model for starters on employment and training. I know it was a direct result of cooperation between you and Representative Emerson.

We are concerned that some of the key components there, such as flexibility for the States and some key client protections, may be somewhat undermined by the approach the USDA has taken, which we think limits States flexibility to target services effectively on those with the greatest barriers to employment, and we do fear that perhaps funding may be insufficient to make a difference in people's lives.

We have several recommendations to make to you in light of what we now know about employment and training programs. But first I want to emphasize that one of the key findings of the MDRC is that no matter what happens, employment and training programs have a modest effect. They are not a panacea; they cannot end welfare.

First, we urge that you retain 100 percent funding up front for employment and training programs. To be honest, I think the fiscal incentives are not there for States to run good programs if the match starts immediately. But there is a more pragmatic reason, and this was pointed out by MDRC and various other authors, that if you run a good employment and training program, most of the savings goes to the Federal Government.

So it is important, I think, to keep the Federal investment there. We also think that you should consider putting in an enhanced match for employment and training services, whether it is the 60 percent in the Ford bill or 75 percent, we think that is an important way to get a stronger, more comprehensive training program in the States.

We have a new suggestion for you, and that would be this: Limit the 100 percent money up front in the enhanced funding to services only, provided by professionals in the employment and training and education fields. To the extent that welfare personnel are involved in administering the program, policing people, that should be at the regular 50 percent match.

But if you are really interested in getting services to people, put the financial incentive for States to put the money into services and employment and training professional people. That proposal is laid out in more detail in our testimony.

We also think that that enhanced money should be provided to clients for their out-of-pocket expenses. The current $25 a month cap on what kind of expenses can be reimbursed is unrealistically low, and we think that those out-of-pocket expenses, whether they

be for child care or transportation, or whatever, are major impediments to people going to work.

Several other suggestions, I will just tick off what we think are worthwhile making in the food stamp and employment and training programs, as in the Ford bill, we should allow States to serve volunteers first, and satisfy program performance standards that way. If they serve all volunteers, so be it. You would have the advantage of people coming in of their own free will.

We believe—and I understand you are considering this—that some change in performance standards to measure the quality of services ought to be instituted, as opposed to simply measuring how many people are run through the mill.

We would suggest a specific change from the WIN Program that makes sense to us, and that is before anyone is sanctioned in food stamps, employment and training programs, there ought to be what is known as a conciliation session, whereby the worker actually sits down and tries to work it out with the recipient as to what went wrong and establish whether it was just a minor violation or a misunderstanding, so that we don't end up sanctioning low-income people and their families.

We suggest that, and I think that Mr. Bode's testimony was somewhat helpful, but we suggest that the employment and training program ought to be clarified to make clear that education and child care are expenses that are reimburseable under the food stamps and employment and training program.

Finally, we would urge you not to change the age of the youngest child in terms of determining when the mandate applies to people in food stamps and employment and training programs. We think that mothers and fathers of children under the age of six should be encouraged to participate, exhorted—use whatever other pressures or information that is available to get them involved, but a mandate is a problem.

These people with young children are those, inherently, that have the largest barriers to employment. The mandate inevitably cast the web too wide for how many people you involve.

There are many subjective judgments that have to be made about what is best for the children in those families, and the Government simply is not capable of making them in a sufficiently sensitive way.

My testimony lays out to you, Mr. Chairman, several areas of benefit improvements we think should be made, especially in the context of welfare reform. They include such items as disregarding the first $50 of child support payments in the Food Stamp Program; expanding the child care deduction in the Food Stamp Program to a per child basis, just like AFDC.

We think that the program ought to be made more accessible to students. There are many low-income students now thrown out of food stamp households as soon as they graduate from high school. They can't go to college. I think in 1980, we went overboard in limiting student participation, and we can, I think, in a fairly precise way open it to many low-income students without reopening the issue of middle-class students participating.

We also think, like AFDC, there should be a greater disregard of certain educational benefits.

A word now on welfare reform experiments, before I conclude. We are not against experiments, per se, but we do have some concerns about them. First, I need to report to you, that our network which has hundreds of low-income people, recipients, food providers, advocates across the country, are worried about cash-out of food stamps. I would urge you, if that is going to be allowed, to limit the number of sites that can possibly do that.

There is a problem, and there are trade offs, in terms of paternalism versus protection for recipients, but we hear there is a pattern of landlords setting rents at the level of cash assistance that is now provided in welfare, and that if you cash out food stamps, rents may well go up.

Other creditors may come in and be more aggressive in terms of going after food stamp recipients—at least, where the food stamp recipients generally have some protection. The cash-out notion we think should be tested very gradually.

In addition, we have concerns about giving carte blanche to the administration on their pilot projects. In point of fact, it is not an open-ended experiment. They are trying to carefully target and tailor the various proposals coming in from the States. My concern is that they may be trying to do through the back door what they have not been able to do from the front door—that is, block grant these programs, and ultimately cut benefits, no matter what Mr. Bode said earlier.

These are block grants. What these are, the funding mechanisms they have in mind are block grants to States, and that is a terribly important concern for us that in no instance should the basic entitlement to individuals be diluted by experimentation.

There are other important guidelines in my testimony. Basically, we do believe that no person should be made worse off through an experiment than under current law. I would be happy to go through those in more detail.

On the issue of AFDC and food stamp conformity, we have already suggested several areas in child support enforcement and child care students, where we think greater conformity makes sense. We urge you not to make conformity changes for the sake of conformity, and would suggest that basically most of the conformity changes ought to come out of the AFDC Program.

The Food Stamp Program has many preferable policies, and we have itemized in our testimony many changes we think should happen in AFDC.

Thank you, very much, for the opportunity to testify and I would be happy to answer questions or help out in any possible way.

[The prepared statement of Mr. Fersh appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you. Your testimony is, as usual, in depth and I think it will be very helpful to us in reviewing what elements we want to incorporate in a welfare reform proposal.

Is it realistic to assume that the current staffing levels that we have at welfare offices can simultaneously achieve the objectives of one-stop service, improved coordination and simplify the AFDC Program and the Food Stamp Program, and reduce erroneous payments?

Mr. FERSH. Mr. Chairman, that is a good question. I think that is a great unknown, and frankly, one of the things I would like to urge upon you is to go to GAO and others to study this.

We get reports of decreasing staffing levels in States, at the same time that there are tremendous new pressures to lower error rates. It is obvious if a State legislator is faced with the choice between funding benefits and funding bureaucrats, they tend to go for benefits.

We have a concern and frankly, because of all the increases and pressures on error rate sanction, and fraud and abuse, I think many States have moved much more to servicing people—one worker does food stamps, one worker does AFDC. They ought to make sure they know the regulations well, and to get their error rates down.

I think if we want to move to a coordination of services, we really have to look to see whether we have enough people out there who can deal with the entire needs of an individual family and not simply be bookkeepers or accountants. I think there are serious concerns that the level of staffing out in the offices is leading to greater barriers to participation, and would be an impediment to trying to come to the kind of compassionate welfare system that deals with all people's needs when they come in the door.

I guess part of the answer to the question is that we need to study this further, but our sense is that the bureaucracies are being squeezed, and that if you want to have welfare reform and integrated services, we simply don't have the staff now to provide that kind of assistance to someone coming in the door.

Mr. PANETTA. You have had a chance to review some of the current State experiments that are going on regarding employment and training, both now in Massachusetts, and I guess New Jersey as well as California. What is your conclusion from what you have seen in those States?

Mr. FERSH. I think both California and New Jersey are very, very preliminary stages. The Massachusetts experiment seems to me to have been very, very successful. I think some of the findings may have been overstated to begin with, but a few patterns emerge.

One is, Massachusetts, I think indicates that voluntary programs on the part of the recipients can work. In fact, you can build in incentives if you put the right services out, the work ethic is alive.

The other thing that emerges and I think you have covered this already this morning, and this is especially from California, is that there is a tremendous need to get people up to a level where they compete in the job market. The educational investment we need to make in people is absolutely critical.

Over the weekend I read a new article by Lester Thoreau in Scientific America about the growing inequality in our society. It seems very clear, and not just for welfare recipients, but for society as a whole, that we need to enhance our educational efforts if we are going to compete in world markets.

I think that is a piece that emerges here; that it is OK to do job search and job search training and so on, but we need to make more fundamental investments in people so that they will be self-sufficient long-term.

Mr. PANETTA. Did Massachusetts implement their program without increased funding? Did they operate basically on their existing levels, do you know?

Mr. FERSH. I do not recall whether it was increased Federal funding. For sure, there was increased State funding in substantial amounts, large parts of which went into child care. I don't recall them receiving additional Federal dollars to run their program, but we would have to check that.

Mr. PANETTA. On the cash-out issue on food stamps, I guess obviously the approach is one of presenting a check of money to whoever does the work in terms of looking like they are getting paid for whatever work they are doing. I assume that is the logic behind wanting to cash it out, as well as then giving them the funds to do whatever they want, or spend it however they wish.

You have raised concerns about cash-out and I share some of those concerns. How would you approach it, in terms of a pilot program like this, if you don't cash-out?

Mr. FERSH. First, one concern is that I think they need to keep track of how much of the payment going to the recipient is the food stamp equivalent, so we are sure it is not counted as income for other purposes.

I guess either you are going to test cash-out or you are not going to test cash-out. Mr. Chairman, the arguments for it are that it is administratively easier, and I think that is true; and it is less patronizing to the recipient.

The argument against it, as I mentioned, is that people were not protected. I don't know, other than trying to monitor carefully, doing some follow-up studies—what is happening, do they have greater soup kitchen participation than other recipients—gather a lot of data about it—if you are going to experiment, you experiment.

But what I would suggest is, there should be a very limited number of States that can cash out food stamps initially so we know what the impact is. I think part of the stigma of using stamps—cash gets rid of that stigma.

Maybe someday soon we will be up to the notion of instituting the "smart cards" in the grocery stores and the stigma will be reduced. I would take this one step at a time and limit the numbers, carefully control it, and study what the eating and food buying habits are, and see where we go from there.

One other word I would like to add on a prior question and that is the employment and training program in Massachusetts—I think it is real important, and I know you have an interest in this—is that if you are going to put the welfare department of employment and training—and that is a debate. Mr. Hawkins' committee is going to take that up and I think there may be a little brouhaha about that within the Congress.

One of the things, what Massachusetts showed is that you can coordinate between welfare and employment agencies. The welfare agency ought to be a broker for services from professionals. That is why we are proposing today that whatever increased match you provide for E&T should only for the welfare department's basic purchase of services from employment and training professionals; that the money for enhanced match shouldn't be going for basically

welfare bureaucratic functions of monitoring people, checking their job search.

But one way to ensure that there is incentive for the welfare department to coordinate with ongoing existing training programs is to put the money there. Massachusetts has shown that that can happen, that you can make these agencies coordinate in ways they had not up until now.

Mr. PANETTA. One last point. It is obvious we are not going to put the kind of money into welfare reform that probably a lot of people think we should in terms of doing it right. On that basis, is it still worth pursuing?

Mr. FERSH. I think it depends on what the final package looks like. I think all of us who have been around here for years, and the public, I don't think, understands it as well. Certainly our constituency groups don't understand this. Incremental change is part of what the political process tends to bring these days, especially in the days of high deficits.

If you are asking for small amounts of dollars into employment and training, is that worthwhile? I have concerns. If it merely feeds the system now, in food stamps, which is mainly run them through the mill and check up on them, then more dollars for more cops would make me nervous.

But if it allows those dollars to be targeted to real services, then more dollars I think will help more people and lead to more people leading fuller and better lives. The other side is, as far as we are concerned, there needs to be some dollars into benefits. Every dollar helps, and you have been very instrumental in getting some key proposals through the House with Mr. Emerson, on the homeless bill, and we are very much hopeful that those will become real dollars in people's pockets.

But there is a long way to go. I would not say no to any increase in benefits. In that case, I think anything is helpful, but we ought to keep in mind what the overall goal is in the long run, and that is, that there is a long way to go.

Mr. PANETTA. Thank you, very much. We appreciate your testimony. Mr. Herger, did you have any questions?

Mr. HERGER. No questions, Mr. Chairman.

Mr. PANETTA. Our next witness is Walter Credle, who is assistant director, Virginia Beach Department of Social Services, and chairperson of the National Council of Local Public Welfare Administrators. He is the chair of the APWA Task Force on Welfare Reform. Accompanying Mr. Credle is Mr. Randale Valenti, who is associate director, office for employment and social services, the Illinois Department of Public Aid.

Mr. Valenti was the chair of the APWA Task Force on Simplification and Consolidation.

Welcome to both of you. I appreciate your taking the time to come here. Your statements will be made a part of the record. You may proceed.

STATEMENT OF WALTER CREDLE, ASSISTANT DIRECTOR, VIRGINIA BEACH DEPARTMENT OF SOCIAL SERVICES, AND CHAIRPERSON, NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. CREDLE. Thank you, Mr. Chairman. Good morning. My name is Walt Credle. I am assistant director of the Virginia Beach Department of Social Services and chair of the American Public Welfare Association's National Council of Local Public Welfare Administrators.

I am here today with Randale Valenti, associate director of economic and social services for the Illinois Department of Public Aid.

I will first discuss the association's recommendations on comprehensive welfare reform, and Mr. Valenti will discuss in more detail the role of Food Stamp Program in welfare reform.

Welfare reform has been a very high priority for State and local administrators. My colleagues and I believe that we must go far beyond mere tinkering with present public welfare programs and redesign fundamentally the way we respond to poverty in this country.

Today, one child in four is born into poverty. One child in five lives out his or her childhood in poverty. Among Blacks and Hispanics, the numbers are even more stark. One out of two Black children is poor; two of five Hispanic children are poor.

Public human service administrators have responsibility within our communities for the health and well-being of those who are vulnerable. We oversee the development and delivery of services. We have experience and specific expertise in these areas. Because of that experience and our leadership responsibilities, we believe we can be both legitimate advocates for the clients served and rigorous critics of the existing system.

We all know that something clearly is not working. The available array of services is not adequate to the needs of America's poor children and their families. Responding to the numbers and what they represent, the State human service administrators adopted a policy statement in 1985 calling for a renewed public commitment to poor children and their families.

A steering committee was formed representing APWA's board of directors, and its councils of State and Local welfare administrators. The steering committee held its first formal session more than 1 year ago. The group is, itself, diverse both politically and geographically. They are Republicans and Democrats, liberals and conservatives; they come from large States and small States; they serve urban and rural populations.

The group debated the appropriate goals for our welfare system and the policies to attain those goals. They met with a number of your colleagues, with congressional staff, with officials in the administration; with other State and local government organizations, private nonprofit groups, and with social scientists working on the whole range of issues within the welfare field.

The goal of these deliberations and subsequent recommendations is straight-forward: to reduce the number of children living in poverty by promoting self-sufficiency and strong families.

Our proposals for comprehensive welfare reform are contained in the Family Investment Act of 1987, H.R. 1255, introduced by Representatives Barbara Kennelly and Robert Matsui. Many of those recommendations have been incorporated into the Family Welfare Reform Act of 1987, approved by the Ways and Means Subcommittee on Public Assistance and Unemployment Compensation.

With regard to APWS's recommendations, we believe that individuals bear the primary responsibility for their own well-being and that of their families. In our view, self-sufficiency means for an adult, a good job, and for a child a nurturing family and success in school.

We value families as the basic building block of our society, but we also recognize that policies and programs must recognize the changing face of families, especially the increasing number of single-parent families headed by women.

There is a vital public role and responsibility for society's welfare and each individual has certain responsibilities toward society.

The welfare system is complex and dynamic. It requires policymakers to go far beyond tinkering with the existing structure. It requires a fundamental redesign of that structure, investing in stronger self-sufficient families will bring significant returns: Productive workers for a shrinking labor market, diminishing need for income maintenance and social service programs, and a stronger society overall.

To put the concept of investment and mutual responsibility into action, we have proposed major reforms in income security, education and employment programs. The key components of our family investment program include the following: First, a client-agency contract, requiring actions by clients and services from agencies, encompassing education, employment and strengthened family life.

Work or education toward employment is required of parents of children over three. Work-related or other part-time out-of-home activities is required of other parents.

A comprehensive welfare-to-jobs program in each State to provide the services necessary for families to move from welfare to self-sufficiency. A strong connection between economic development and human development so that jobs are available for those now dependent on welfare.

Next, aggressive enforcement of child support, including paternity determination, viewed by commissioners as a responsibility of both individuals and human service agencies.

A new, nationally-mandated family living standard, using actual living costs as the basis for cash assistance to eligible families. The family living standard would provide a stable, economic base as families move towards self-sufficiency and would replace benefits to families with children under the Aid to Families with Dependent Children Program, Food Stamp Program, and Low-Income Home Energy Assistance Program.

Stronger public schools for low-income children, including better preparation and standards to assure academic progress and graduation from high school.

Availability of health insurance or medical assistance to meet the family's needs and support movement toward self-sufficiency.

Increased availability of affordable, quality child care to meet children's needs and support families working toward self-sufficiency.

Case management in our human service agencies to help families more effectively assess their needs and resources, to implement and monitor the client contract, and temporarily coordinate needed services in families for which it is necessary.

There is a need for comprehensiveness. For some, including some of your colleagues, Mr. Chairman, welfare reform seems to have become a euphemism for welfare-to-work programs or old workfare programs. Reform of the welfare system must be a comprehensive reformulation of cash assistance, education, health care and employment-related policies that strengthen family life and promote self-sufficiency.

The APWA proposals provide such a sweeping provision. We have taken at their word all of the proponents of welfare reform, the President, the Congress, the Governors, the advocates, the clients. Our proposal goes beyond the question of whether to include the unemployed parent in public assistance, and whether the inconsistencies in benefits from State to State should be eliminated.

It should go without saying that the entire family in need should be assisted so that it may ultimately be self-sufficient. And, of course, the cash assistance provided to families should be based on their economic need and resources.

We believe that our social policy must ultimately be built on a comprehensive social insurance model. This is in part pragmatic, and part philosophical. Our public programs directed at economically disadvantaged as well as advantaged individuals have fared well. Means-tested programs have not.

We believe assistance to poor families and children should be based on economic need, not on other more arbitrary factors. Young parents in poverty who have never had the advantage of gainful employment face just as many costs on behalf of their children as do laid-off auto workers or farmers displaced by economic factors beyond their control.

Children in need are still children in need. In order to be successful, welfare reform must be comprehensive. It must encompass the notion of mutual obligations between poor families and society.

It must contain improvements in the benefits poor families actually receive. We cannot expect poor families to take those actions necessary to gain self-sufficiency if they do not have, in the interim, the wherewithal to feed and clothe their children.

We believe that the legislation now before the full Ways and Means Committee, the Family Welfare Reform Act of 1987, does constitute comprehensive welfare reform, and we support that legislation.

While there are some parts of H.R. 1720 we would like to enhance, the basic elements of this legislation reflect quite clearly APWA's recommendations for comprehensive welfare reform. The bill includes a significant welfare-to-work program, our concepts of contract and case management, work incentives, expansion of AFDC-UP, benefit increases, child support improvements, and Medicaid and child care transition coverage, which closely reflect our proposal, also.

H.R. 1720 does not, as APWA had recommended, consolidate the major benefit programs, including food stamps, into a new family living standard, although it does include a study of the family living standard concept as a basis for cash assistance.

The legislation would leave the Food Stamp Program basically in tact. We appreciate the opportunity to appear here today, Mr. Chairman, because we believe it is necessary and appropriate to address the future of the Food Stamp Program within the context of overall welfare reform.

Mr. Valenti will discuss APWA's recommendations for the Food Stamp Program, focusing on simplification and consolidation of AFDC and the Food Stamp Program.

[The prepared statement of Mr. Credle appears at the conclusion of the hearing.]

Mr. PANETTA. Mr. Valenti.

STATEMENT OF RANDALE VALENTI, ASSOCIATE DIRECTOR, OFFICE FOR EMPLOYMENT AND SOCIAL SERVICES, ILLINOIS DEPARTMENT OF PUBLIC AID, ON BEHALF OF THE NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS, AMERICAN PUBLIC WELFARE ASSOCIATION

Mr. VALENTI. Thank you, Mr. Chairman. I have been listening to the testimony given today, and I have also been listening to the questions and the answers and I find this rather fascinating.

I spend a good part of my life at the State level testifying every day, and this is about my third opportunity to testify in front of Congress. I have to tell you that the leap from the general assembly at the State level to the Congress of the United States is a great one, and I appreciate very much the opportunity to testify before you today.

I would like to supplement some of the things that I presented in my written testimony and respond more to what was said this morning, rather than to just simply present this.

I do want to say that it is very important that this committee continue to look at the Food Stamp Program and not forget that it plays a vital role in the whole notion of welfare reform.

I am speaking on behalf of APWA and we are very supportive of H.R. 1720, even though it may not be as comprehensive as we would like, it certainly does address need, and also ways in which to enhance ways of getting people back into employment as opposed to welfare. But it does leave out the Food Stamp Program, which is a very vital program in the whole area of welfare support.

For example, in Illinois, many people don't understand that we have over 400,000 families on food stamps in Illinois and we are dispensing over $700 million a year in food stamp benefits.

Yet, it is not until April of 1987 that we first start addressing implementing on a mandatory basis employment, education and training programs. We are very happy with the way in which Congress has approached employment programs on the cash assistance side, especially since 1981. We think you have come a long way in giving States additional flexibility, as well as some additional funding, to implement programs that would assist the States in moving

people from welfare to work, notwithstanding some of the testimony that was given this morning.

I think States do have an immense fiscal incentive to move people from welfare to work.

In Illinois, for example, we are spending, not counting what I mentioned earlier on food stamps, $3.5 billion a year to support over 1 million people on welfare today. Now, I recognize that the million people are mostly children and many aged, blind and disabled persons. But nonetheless, we believe we have a sincere and important incentive for spending State money to train people to move them from welfare to work.

A lot of people talk about the unemployment rate, and I must admit the unemployment rate in Illinois is still too high, but notwithstanding that, we have more than 5.5 million people employed in Illinois today, which is more than we have ever had in the history of the State. We are also finding in our employment program, called Project Chance, that recipients are more than willing to work if we provide them the opportunity to do so.

The Federal Government has increased somewhat its commitment to employment programs, and we think you need to go much further.

Since 1981, we have tried to put together a comprehensive approach that would embrace both AFDC, general assistance and food stamps. We are doing that right now in all areas in a project called Project Chance. Quite frankly, we stole some of the positive aspects of ET, brought them to Illinois, made them a mandatory program and on a monthly basis right now, we are working with over 105,000 AFDC, food stamp and general assistance recipients.

Last year, we placed in 1 year 36,787 recipients in jobs and, like Massachusetts, we are closely coordinated with our JTPA program, as well as our department of employment security, and the State educational activities.

The point I am trying to make here is that we believe that the Congress, through programs like the Food Security Act of 1985, and subsequent acts that would bring the AFDC and Food Stamp Program closer together, makes it much more easy for the State to put together meaningful programs that are aimed at hard-to-place recipients.

I guess in summary what I would like to say is that we are very positively disposed about H.R. 1720. We have looked at the areas where we think AFDC and food stamps can be closer together, especially in employment programs, and we urge the Congress to move forward pass H.R. 1720, and in addition, improve the Food Stamp Program to make it more like the AFDC Program, or vice versa.

[The prepared statement of Mr. Valenti appears at the conclusion of the hearing.]

Mr. PANETTA. Thank you. Let me ask you, Mr. Valenti, about the child support disregard; it is an important area for coordination between AFDC and food stamps. Could you expand on the significance of that change?

Mr. VALENTI. This is one good example, Mr. Chairman. When we are explaining these basic programs, not only to recipients, but to taxpayers, it is very difficult to explain to either one why it is that

when Congress is setting programs up that make sense for poor people, to help them make themselves more self-sufficient, why it is that on the one hand in the Food Stamp Program, for instance, we count a child support payment as income, but on the AFDC Program, the first $50 is exempt.

We think that in both programs, it should be exempt because it encourages absent parents to make contributions because it will not reduce benefits that they would otherwise receive under both the Food Stamp Program and AFDC. We feel the same way about many of the other recommendations we have made.

When Congress looks at a poor person and decides whether or not they should be entitled to a program, we think the same income rules, resource rules, and need rules ought to be brought in line with one another so that the two programs, when looked at together, make sense.

The mandatory education and training program, for instance, that we just implemented April 1, even though we have come a long way in putting AFDC and the Food Stamp Program together, is already operating differently from that that we are running in AFDC.

Mr. PANETTA. Is that your experience with the program you have implemented?

Mr. VALENTI. Absolutely. I am not criticizing the program. I think that Congress has made a giant step forward in requiring the program, in giving States up front money and then allowing States to go beyond that on a 50–50 basis, and I can't speak for the Nation, but I do think that the Federal funds are absolutely essential.

I know in Illinois, we depend heavily on them even though we have infused in our Project Chance Program, a tremendous amount of State funds—we still need Federal dollars to operate these programs on a successful basis. But even so, the point I was trying to make on AFDC and food stamps is that everything is slightly different.

Participation requirements are different, sanctions are different, remedies are different, and it is time that I think Congress require the Federal administering agencies to make the two programs, to the extent possible, identical.

Mr. PANETTA. What about performance standards on the employment side. What is your view of that?

Mr. VALENTI. I think States welcome performance standards, especially when the performance standards are reasonable, and look at the total program that you are operating.

It is not enough simply to measure whether or not you have moved a person from point A to point B. In Illinois, for example, in our Project Chance Program, we have appropriated for this year, $400,000 and we are recommending $400,000 next year to implement an evaluation system by an outside contractor.

I am simply suggesting that whenever the Federal Government requires performance standards, that they not simply tinker with statistics that we have to submit to the Federal Government, that we actually look at the program in a reasonable scientific way and ask whether or not the State is running the program in a way that

meets the statutory requirements and actually in a way that benefits the recipients themselves.

Mr. PANETTA. Mr. Credle, we have heard it from the State level in terms of simplification and consolidation of AFDC and food stamps. What is your view at the local level?

Mr. CREDLE. I think it would go a long way toward helping us improve the program. Two of the areas that I would touch upon might be participation rates and error rates.

In Virginia Beach right now, our participation rates given the potential number of eligible food stamps recipients in the city, is only running slightly over 15 percent.

There are many factors that contribute to that, but I am convinced that the complexity of the program is one of the important factors that does contribute.

In our AFDC Program, roughly 50 percent of the recipients participate in the Food Stamp Program. I believe that if the AFDC and food stamps had the same application and the same process, that a lot more people would benefit from the nutritional benefits of the Food Stamp Program that are not benefitting from it right now.

With regard to error rates and complexity in the program, we have noticed in the past 7 or 8 months that the number of cases in food stamps involving monthly reporting forms, which I believe you are all familiar with, have increased from about 30 percent of the caseload to over 50 percent of the caseload and it is continuing to climb.

This is an administrative burden on the workers in the department. It is a burden on the participants in the Food Stamp Program, and I think it is something that cuts down on the efficiency of the employees.

We have a lot of policy changes in the Food Stamp Program. During 1985, we implemented 170 policy changes in the Food Stamp Program. During the first half of 1986, we had implemented 59 policy changes, and I don't have the figures for the remainder of the year.

So, again, that increases the likelihood of errors, makes the program difficult for participants to understand and to keep up with what is expected of them as program participants. We noticed that about 66 percent of the denials in our department are the result of failure to provide verifications. We believe that many of those result from frustration over having to make repeated trips to the department and provide repeated, or multiple pieces of information.

So, we certainly believe in Virginia Beach that there are many things that can be done to streamline the program and make it less complex and certainly to try and consolidate it with the requirements of AFDC, and we also believe SSI, would make the program available to more people who are in need and would simplify the administrative programs involved with running the program.

Mr. PANETTA. Do you have the jobs there to put people into right now?

Mr. VALENTI. In Virginia Beach, we have a low unemployment rate. For some years now, it has been well below 5 percent. Most of the jobs available in Virginia Beach are in the service sector, so

they tend to be part-time, most of them without medical benefits which are extremely important to this population.

But there are entry-level positions of that type, and I think the important thing here is that we have jobs we can move people into, but it is important to have, at least on a temporary or transitional basis, as the legislation here calls for, health benefits, day care benefits and those types of support services because many people have to start out in a part-time position and hope to succeed there and then hope to move into higher level full-time positions, where those other benefits might become available.

I would also emphasize, in terms of support services, our growing awareness of the importance of educational benefits. We are only beginning to have an understanding of the extent of functional literacy in the AFDC and food stamps population, and I think we are only beginning to learn how to measure the extent of that—to statistically measure the numbers and scope of that problem.

I think increasingly we are going to see the importance of remedial education as a supplemental or support-type service to get people job ready. Right now, we are putting people into job search efforts, and we are finding—we placed one the other day in a work experience placement and learned the day that we placed her that she could not read the alphabet.

This is something, with the growing awareness of it, that I think leads us to see the importance of remedial education, as well.

Mr. PANETTA. Thank you both, very much, for your testimony. I appreciate your taking the time and providing your guidance to the subcommittee.

The last witness is Mr. Robert Greenstein, who is director of the Center on Budget and Policy Priorities, and who is an old hand at wrapping up everything that has gone before him into a clear, concise, and direct recommendation that will answer all of the questions that everyone has on these issues.

I look forward, Bob, to your giving me the definitive, final answer on this issue, as nobody else has. Welcome, and as always, your statement will be made part of the record, and you may summarize as you wish.

STATEMENT OF ROBERT GREENSTEIN, DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. GREENSTEIN. I was about to say, thank you, Mr. Chairman. I am not sure after that introduction if I should say that.

I appreciate your invitation to testify here today, and like many other people interested in welfare reform, it would be my hope that welfare reform legislation might actually be enacted during the 100th Congress.

While there are areas relating to welfare reform on which substantial disagreement remains, there is a growing consensus around several fundamental principles, including the following: employment and training programs that can help recipients attain self-sufficiency should be emphasized and strengthened; particular attention should be placed on those who have the greatest barriers to employment and who, in the absence of assistance, are likely to remain on the rolls the longest and to cost taxpayers the most.

New testimony I have just been reading in the last few moments from a hearing this morning in another committee by MDRC and the GAO provides fresh new research evidence on this point.

Education should be stressed. Among every demographic group, those with more years of education have sharply lower poverty rates than those with less education.

Those who work or who participate in employment and training programs should not be disadvantaged by this participation, and should certainly not be worse off than recipients who do not participate in such programs. In particular, there is a growing consensus that low-income mothers who work or participate in work programs should not be burdened with unreimbursed child care costs that make them worse off than other mothers.

Parents, including absent parents, have a responsibility to support their children, and much greater emphasis needs to be placed on tracking down absent fathers and collecting child support payments.

Finally, another principle around which there is growing consensus is the need for improved coordination among programs, particularly AFDC and food stamps.

While the primary legislation to translate these principles into programmatic change concerns AFDC, there nevertheless are some areas where the Food Stamp Program can do better in furthering these principles about which there is growing consensus, and where the current food stamps structure may actually be working counter to the achievement of some of these goals.

Most of the changes needed are relatively modest, and in some cases, they are fine-tuning, but they are still quite significant. The first area I would like to talk about is employment and training.

As you know, the Emerson-Panetta employment and training provisions of the 1985 act are consistent with the goals of welfare reform, and in some ways are forerunners of the kinds of provisions now being discussed in AFDC.

Now that we are beginning to gain some experience with actual food stamp E&T operations, there are a few areas where modifications would appear to be helpful.

First, is the area of child care. Some States have found an anomaly here. If a recipient must incur child care cost to participate in an employment and training program, reimbursement for these costs is now limited to $25 a month, which is, of course, far below actual child care costs virtually everywhere.

Costs above $25 a month may be taken as a food stamp deduction, but the food stamp deduction results in a benefit adjustment of only $30 for each $100 in child care costs. The end result is that a mother who must incur child care costs to participate is generally made worse off than a mother who remains at home and does not participate.

That is not the case either under current AFDC work-and-welfare programs, or those under the welfare reform bill. In those cases, the reimbursement of child care costs up to a reasonable level is fully provided.

So I would suggest that the food stamp and employment and training programs be adjusted so that reasonable child care costs do not remain unreimbursed, and that can be accomplished by pro-

viding full reimbursement of such costs up to levels as those provided under the Public Assistance Committee bill, or whatever is the prevailing practice in AFDC at that time. This would also promote coordination.

Since relatively few mothers with young children are enrolled in the food stamp employment and training programs, most States exempt mothers needing child care, the costs should be very small. This would allow those States willing to help fund these child care costs to better encourage mothers with young children to enroll and participate in employment and training programs.

A second area involves education, which the Food Security Act explicitly lists as an acceptable activity under the employment and training programs. You mentioned this earlier; when final USDA regs were issued, they contained some language that, my understanding, was inserted by OMB, and that language in the preamble to the final regulation states:

> While long-term general education may indirectly promote employability, a more direct link between education and job-readiness must be established for an educational component to be approved.

Now, if that language is intended to bar program components under which recipients who are high school drop-outs work toward and receive GED degrees, then it really does not make sense. One area in which conservative and liberal analysts are in firm agreement—one of the leading exponents of this is Charles Murray—is that finishing high school is one of the most beneficial activities an unemployed drop-out can undertake, and one from which the long-term benefits to drop-outs and taxpayers alike are the greatest.

I am not sure that Mr. Bode's response on this issue was fully responsive. He talked about the need not to supplant State funds going into education. No disagreement there.

The question here is not one of funding. It is whether States can refer people to GED programs, even if the Food Stamp Program does not pay for it, and count that as a placement as a component.

Now, I don't know that there has actually been any problem in the approval of State plans. I also don't know if any States were discouraged by that language in submitting something along this line. I would simply urge the subcommittee to monitor this closely.

A final issue that has arisen is that in a few States they are referring food stamp work registrants to vocational or technical courses at local community colleges, to upgrade their skills and employability. But then when these registrants enroll, they become students and lose their eligibility for food stamp—a kind of Catch-22 here.

Current law allows food stamp participation by students who are enrolled in school as a result of participation in an AFDC work program, or a JTPA Program, and I think this needs to be broadened to allow school enrollment as a result of participation in a food stamp employment and training program, or a State or local employment program, such as a GA work program.

Finally, there is the difficult question of performance standards. We continue to learn more about the very difficult area, issues of how to set standards to have the greatest impact. I have just been looking at this new testimony in the last few minutes. I am not

sure I have fully digested it, but MDRC is saying that they are now finding preliminary evidence that there may be a threshold effect, there may be limits in short-term, less intensive employment programs, and they say, "This suggests that for the most disadvantaged individuals, more intensive and more costly services may be necessary."

The same is the theme of the GAO testimony, also delivered this morning, which expresses concern that States are spreading resources too thinly to serve as many people as possible, rather than providing more intensive services to those with greater barriers to employment.

The GAIN Program in California and ET in Massachusetts seem to have taken these lessons to heart and have their emphasis on things like training and remedial education, and I think this may mean that we need to rethink standards in a number of programs, perhaps including the Food Stamp Program, to try to—I think the key goal is carefully designed performance standards should place the greatest emphasis on success in reducing long-term dependency, and that that is likely to prove more useful in the long run than participation standards simply emphasizing the number of recipients enrolled, or placement standards that simply measure the number who enroll and subsequently find jobs, since many of those are the most employable who would find jobs on their own, anyway.

Moving out of the employment and training program, I think there are a few other changes that could be made to encourage work and education and re-enforce efforts to obtain self-sufficiency.

In the student area, in 1980, Congress enacted provisions to ensure that middle class students claiming to be independent could not get food stamps. These provisions were designed in a somewhat unusual fashion; they were literally conceived and put together overnight by a few people at USDA in response to a sudden Carter administration decision, in the winter of 1980, which I am sure you recall, to alter the budget to try and reduce what at that point in time was considered to be an unacceptable deficit level.

Perhaps because these provisions were put together so hastily, they were not in all phases well designed. They did accomplish the goal of removing middle income students, but they did it in a rather blunt fashion that turns out to have penalized some legitimately poor students, as well.

I can attest to all of this, since I was one of the people responsible for these hastily-designed provisions.

If you examine them carefully, you will find they produce the following result: A poor, inner-city, minority youth who lives with his family, finishes high school and goes on to college, is disqualified from food stamps. As a result, total food stamps benefits of his or her family, including other children, is reduced.

But if the student fails to pursue his education after high school, he is not disqualified and his family's food stamps are not affected. The program thus sends the message that unemployment or part-time odd jobs are better than attending college and that the whole family will pay a price and have less food if the youth stays in school.

I think in 1980, we had little appreciation for the problems of increasing poverty in a growing underclass, or the critical importance of education as a primary path out of this cycle.

Our sole concern at that point was ending participation by nonneedy students.

I think that this provision of current law could be modified at very minor costs so that nonneedy students continue to be barred from the program without these perverse side effects. That could be accomplished largely by such changes as allowing participation by a student who lives with parents or grandparents or legal guardians, and whose entire family is eligible for food stamps. Clearly, such a student is not a middle class youth claiming to be independent, but a poor youth whose efforts to attain education as a route out of poverty should not be discouraged.

Another issue in this area concerns the child care deduction now capped at $160 a month, regardless of how many children a family has in day care. To set a cap not adjusted by the number of children in child care is to treat working families with several children inequitably since a much smaller percentage of their child care costs are deductible than is the case for families with fewer children.

Both the current AFDC Program and pending welfare reform bills have the deduction on a per child basis, rather than per household, and I would suggest that the Food Stamp Program follow suit, both to promote equity and encourage work and to promote consistency with AFDC.

Turning to another area which I think is emerging as probably the area of single greatest consensus, and that is the need to confront the child support crisis—you could call it. We have a national scandal here. In 1983, only 58 percent of all single mothers living with their children had child support awards. Of those who had an award, only half received the full amount of what the court awarded; a quarter received nothing and, overall, more than half of all single mothers with children received no child support payments at all.

This results in greater poverty and greater reliance on welfare. In 1981, only 11 percent of all absent fathers of AFDC children paid any child support at all.

Various reforms in this area are being discussed. One problem is, however, that most of them leave the majority of AFDC families unaffected because only a small percentage of AFDC families have a child support award to begin with.

One problem in that area in the past had been that there was very little or no financial incentive for an AFDC mother to undertake the sometimes emotionally difficult task of identifying the absent father and helping track him down. For some years, the full amount collected in child support for AFDC was offset against the family's AFDC benefits, so the family received the exact same income whether the father paid any child support or not.

The Deficit Reduction Act of 1984 attempted to apply a modest remedy to this problem by allowing the mother to keep the first $50 in AFDC benefits. This was designed to give the mother a stake in identifying and helping to locate the father and collect child support from him.

However, because there is no similar provisions in food stamps, the impact has been diluted. While the $50 in child support payments aren't counted against AFDC, they are counted against food stamps and the net effect is that the mother's gain ends up being only $27.50 to $35 a month. I think here, to better focus the incentives and have a greater chance of realizing the goal of increasing the number of cases where paternity is established and child support is collected, food stamp provisions in this area should be conformed to AFDC.

This would enable the mother to obtain a more realistic if still modest improvement if the father is located and begins to pay support. Given our budgetary limits, I think in the long run, we are going to have collect billions more in child support payments to make major progress against child poverty. This is a small investment that hopefully would yield a larger result.

I will not comment at length on the coordination issue; that has just been covered by the last several witnesses. I would simply add there that in addition to aligning the programs more closely, I think we need to tighten the coordination and the application process. In some areas today, families applying for AFDC are not informed of their eligibility for food stamps. I think we should reinstate the provision that when families apply for ADFC, either a joint AFDC food stamp application should be used, or applications for both programs should be provided at the same time.

In areas in which States have GA programs that satisfy the Secretary, that they are at least as restrictive—usually more so than food stamps, so that nobody could possibly be eligible for GA, who isn't eligible for food stamps, I think we should try that same sort of coordination in the application process.

Mr. Chairman, let me close my testimony there, but I will say if we have time during the question period, I did also have some comments based on things earlier witnesses said on the proposals for demonstration projects, and I would be happy to comment on that if time permits.

[The prepared statement of Mr. Greenstein appears at the conclusion of the hearing.]

Mr. PANETTA. I was going to ask you, I know you basically covered recommendations on welfare reform, but I would be interested, a, in your comments about the demonstration projects, but also, b, if you could also comment on the Washington plan, and on the cash-out aspect.

Mr. GREENSTEIN. Let me separate the two. I think they are somewhat different.

I have looked in some detail over the last 6 months at the administration's report and its proposals for the demonstration projects, and obviously, having demonstration projects to learn more from that we might apply is hardly anything that anyone is against.

However, when you look at their proposal closely, I don't think that that is the principal thing it does. First, the number of demonstrations—and they are really not demonstrations—the number of waivers, which is really what they are—the number of waivers of Federal rules which you could call demonstration projects is unlimited, and there is no funding, no mechanism in there for any Federal evaluation.

States are asked to do their own evaluation of this; if we take a lot of the State work and welfare programs out there, we don't get the most objective evaluations from the States that set them up in the first place. The administration, itself, has criticized, rightly, the numbers on ET, on this score.

So what you really have is a proposal for literally hundreds of waivers of food stamp Federal rules and a vast array of programs without meaningful evaluation to learn from.

It raises questions as to whether the real purpose is to learn things that we can improve the Federal-State system from, or if the real purpose is to begin to dismantle the Federal part of the system which was the 1982 New Federalism Proposal.

That concern is enhanced when you look at the programs that would be covered. It is not just AFDC and food stamps and so forth; veterans' pension, WIC, headstart, grants—it is fairly broad; anything that is low income that has any kind of means testing.

Thirdly, from the food stamps standpoint, there are some particular concerns, although Mr. Bode talked about flexibility. If you read the administration's bill, there are priority goals and the proposals that meet these goals get advantage in what the White House would approve.

One of the goals is "to individualize determinations of need and to make such determinations to the extent possible through local decisions." Not only does that suggest that Federal benefit standards, like SSI and food stamps, are undesirable, but even that State standards are undesirable. There is another priority goal, priorities to be given to demonstrations that propose to replace in-kind benefits such as food stamps, school lunch, medicare and housing with vouchers. Now, I must say that I don't understand, if the goal is promoting self-sufficiency, employment, child support, why cash-out of food stamps should be a priority goal.

I am not saying it should be ruled out, but you begin—all these things begin to give you a sense that there is a lot of ideologies and less flexibility than meets the eye behind this.

I then get even more concern when I look at other provisions. There is no protection to say that if you cash out food stamps, the cash-out value continues to be disregarded in other programs, so that people living in subsidized or public housing would presumably have their rents go up. That would not be a savings to the State that would get funneled back; it would just be a Federal budget savings.

I think one of my biggest concerns, and I think Mr. Bode is simply incorrect on this score—you just have to read the statute. There is no question that the only proposals that would be acceptable are block grants.

There are three or four pages on how the funding would work. Each Federal agency would estimate the amount that it thought would be required in that State for the coming fiscal year, and that is the fixed amount the State would get. During the year, if a recession came, and the State needed more, the White House could suggest more, Congress could be asked for a supplemental appropriation, but it is a purely discretionary funding mechanism.

The whole current concept that when need goes up, the funding is there; that when need goes down, the funding goes down. The

whole entitlement nature is gone. Again, if the administration's goal is flexibility, why not allow States to choose whether they want to submit a pilot that is an entitlement, or a block grant.

Why are only those that are block grants acceptable, and those that are entitlements are not?

John Bode mentioned the simplified application demonstration projects; those are entitlements. We have had demonstration projects for years in food stamps and AFDC, and they have virtually all been entitlements. One can do it. You can say that the project is not acceptable unless the Federal agencies feel it is not going to exceed current entitlement costs—that, as I understand it, is what the State of Washington has proposed.

I think that is a much better way to go. So when you put these factors together—there are also no benefit productions. I think Mr. Staggers asked John Bode, and John said, "Gee, you can't say that nobody loses benefits. We wouldn't be able to do the simplified application project."

That was a rather slick answer. The law says, under the simplified application project, that individual benefits can go down, but average benefits can't. Is there any provision in the administration package that has that? No.

So when you go through this, I end up getting a feeling that is more a foot in the door to the old 1982 New Federalism Proposal; lots of waivers, little evaluation, only waivers that meet our ideological goals are acceptable; those that retain entitlements are unacceptable. It doesn't really seem to me to meet the idea of doing some careful demonstration projects, to learn things from which we could have better programs.

In think the Washington Program, on the other hand, almost every one of the points I just mentioned here—there is an appropriate provision in there. There may be some fine-tuning that is needed here or there, but I think that, by contrast, is an example of something that is designed to try and learn these sorts of things from and with the appropriate structures and protections.

Mr. PANETTA. Thank you, very much, for your comments on that, as well as your recommendations. They are, as always, very helpful to the subcommittee and to all of us working on this issue. We will continue to be in touch.

I think the Speaker has suggested a timeframe of sometime in May. I suspect that with the defense bill and with debt ceiling problems and with the current restructuring going on at Ways and Means that this may slip, and it probably just as well should slip. My hope is that we are going to be able to at least pick up some of the ingredients that have been suggested, particularly on the employment and training and simplification aspects, and see if we can't incorporate some of those, at least in terms of an incremental change, as far as welfare reform.

Everything that has been presented here has been very helpful.

I want to thank, not only you, Bob, but all of the witnesses for what they have presented here. I can assure everyone that this guidance will be very helpful to the subcommittee in coming up with a proposal in this area.

With that, for any members who have questions, I will leave the record open for a period of 10 days for purposes of questions and

answers to the various witnesses. I will also leave the record open for anyone who wishes to submit additional viewpoints for the record, and that should be done, again, within the 10-day period.

With that, the subcommittee is adjourned.

[Whereupon, at 12:17 p.m., the subcommittee was adjourned.]

[Material submitted for inlcusion in the record follows:]

TESTIMONY OF JOHN W. BODE

ASSISTANT SECRETARY FOR FOOD AND CONSUMER SERVICES

U.S. DEPARTMENT OF AGRICULTURE

BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER

RELATIONS AND NUTRITION

HOUSE COMMITTEE ON AGRICULTURE

MAY 5, 1987

Mr. Chairman, and members of the Subcommittee, thank you for the opportunity to appear today to discuss the Administration's views concerning welfare reform and to comment on legislation under consideration which would alter the character of our present welfare system.

In his State of the Union address in 1986, the President called for an evaluation of the public welfare system and a new strategy to promote "real and lasting emancipation" from welfare. In response to the President's charge, the White House Domestic Policy Council's Low-Income Opportunity Working Group, of which I was a member, made an extensive study of welfare and poverty. The Working Group's report, *Up from Dependency*, is based on careful analysis as well as discussions with Americans from all walks of life, including current and former welfare recipients, those who deliver public assistance, the nation's governors,

government officals, scholars, and many others. The report assesses the welfare system and its successes and failures, describes the frustrations felt by America's poor, and proposes a basic change in public assistance policy. Implementation legislation has now been introduced as the Low-Income Opportunity Improvement Act of 1987, H.R. 1288.

America's public assistance system is composed of more than 50 major Federal welfare programs on which Federal and State governments spent more than $132 billion in Fiscal Year 1985. These programs comprise a welfare system that requires over 5,000 pages of Federal law and regulation and is overseen by a score of Congressional committees. It is managed by eight major Federal departments, numerous agencies in the 50 States and territories, and hundreds of thousands of welfare workers. The Census Bureau estimates that more than 52 million Americans benefit from some welfare program during the course of a year.

For a policy-maker, the welfare system is expensive and wasteful. It is so complex that one has difficulty keeping sight of the services and goals of each of its programs. For a recipient, particularly a poorly educated one, it can only be worse. We can no longer afford to view welfare as one or two programs. We must try to see it from the recipient's eyes. For poor families seeking assistance, the multitude of programs, with

their excessively complex regulations and vast diversity, leads to confusion and demoralization. Moreover, the many interrelationships between programs make it impossible to isolate the impact of any one program in terms of its effects on a variety of important issues -- poverty, work effort, the family, or the community. Thus, the first recommendation in Up From Dependency is: "The welfare system is a system, and we must treat it as such."

While the Working Group documented in their report the areas where agreement exists concerning what's wrong with the welfare system, it found much less agreement on what to do about welfare. In a few areas, such as work programs for AFDC recipients, demonstrations have been done that provide the basis for enacting important incremental reforms. However, we have no basis for predicting the effects of sweeping national reforms. That is the reason for the second recommendation in Up From Dependency: "We should neither propose nor support more 'national' welfare reforms unless locally-tested, with evidence of reduced dependency."

As we examine the potential for reform, we must be as cautious in designing changes as we are firm in our commitment to make them. Tens of millions of people depend on welfare. Our changes must be real improvements, not gambles. Before changing

the welfare system as a whole from the top down, we should strive to find what works from the bottom up.

The final three recommendations of the Low-Income Working Group are:

- Adopt reform goals which comprehensively define Federal requirements for reform, allow maximum flexibility for State- and community-based reform efforts, and retain the current Federal-State financing commitments;
- Initiate a program of widespread, long-term experimentation in the restructuring of public assistance through community-based and State-sponsored demonstration projects; and
- Propose legislation to implement the experimental program and assure that its useful results are gradually incorporated in the national public assistance system.

There are several reasons for conducting several demonstrations simultaneously. It is not obvious that what works in one community or State would be effective everywhere else. The proposed demonstrations would free States to tailor assistance to the specific needs of their population and the localities in which they live, while at the same time meeting broad, national goals for welfare. Operating several demonstrations allows many new, innovative ideas to compete in a positive manner to discover how best to promote self-sufficiency and economic independence.

We are encouraged that the welfare system might be made more receptive to community self-help efforts. Local initiatives in many low-income communities across this nation are overcoming problems that proved too difficult for government bureaucracies. The bulk of these efforts illustrates positive responses to the frustrations felt by local people when the current system fails to meet their unique needs.

That is why the President's legislation provides broad waiver authority to make possible State-sponsored, community-based demonstrations of alternative welfare assistance programs. Our proposal allows States to incorporate into a demonstration the funding they otherwise would receive from any program that currently is intended to reduce poverty. There are clear rules for these demonstrations. The State's filing for demonstration waiver must make clear exactly what the State intends to do: specifically, which programs will be included, who will participate, principles for eligibility and benefit determination, the form and amount of benefits, and innovative ways in which the demonstration is expected to both meet the need of the low-income population and reduce dependency. Along with other specifics on the scope of the demonstration, the filing must describe the evaluation efforts the State proposes so that at the end of the demonstration we will have generally acceptable evidence as to whether the demonstration succeeded in its

objectives or not.

One thing we have heard over and over again in discussions with the Governors is that they need a single place to which they can come to get Federal approval for their welfare reform ideas. To accommodate these wishes, we propose that the State filings be submitted to an Interagency Low-Income Opportunity Board. The Board will be made up of representatives of the Departments with responsibility for major public assistance programs. The Board's Chairman will be appointed by the President. The Interagency Low-Income Opportunity Board is intended to speak with one voice to the States while still reflecting the various voices of the executive agencies responsible for public assistance programs. If the Board's Chairman determines that a filing meets the programmatic and budgetary requirements in the bill, that the civil rights of individuals and families, under all applicable laws, will be protected and that the proposed demonstration is structured to permit a sound evaluation of its results, the filing will be certified.

The agencies with responsibility for the programs included in the demonstration will make estimates of the amount of funds the demonstration site would have received under the laws then in effect. That will be the amount payable to the State for expenditures under the demonstration. Since many of these

demonstrations will not be statewide, the Federal agencies will have to review and use information supplied by the States to determine just what the funding for the included programs would have been in the communities undertaking demonstrations. Each year's funding for the demonstration will be calculated based upon the laws in effect for the included programs. What this means is that if the allocations or funding levels for national programs change, the demonstrations will be affected in the same manner. We think this method of funding will show the continued support of the Administration for the demonstrations.

We think our commitment to the demonstrations is evident as well in the provision that permits States to keep any funds they save by making gains in reducing dependency. The bill requires a State to put these savings to a use which benefits the low-income people of the demonstration area.

The Governor in the State undertaking a demonstration must submit a final report to the Board assessing the demonstration's achievement and shortcomings, including recommendations regarding the demonstration's national significance. The Board's chairman must submit an annual report to Congress regarding the progress of the demonstrations.

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Mr. Chairman, you have asked that I comment on H.R. 1720. We are strongly opposed to H.R. 1720. This proposal, which creates a new program to replace AFDC, has no direct effect on the basic structure of the Food Stamp Program. However, there are indirect cost and caseload effects, and all cost estimates of H.R. 1720 have included the effects on food stamp outlays. Any change in AFDC benefits (family support supplements) to families which also receive food stamps would result in an offsetting change in food stamp allotments. In other words, since food stamp allotment amounts reflect other income available to the household, a rise in one income source (AFDC) results in a drop in food stamps, albeit of a lesser magnitude. Since the provisions of H.R. 1720 would result in very substantial increased costs for benefits in the AFDC program, the cost of the Food Stamp Program would decline, but by a much smaller amount. The net effect would be to increase Federal costs by several billion dollars.

H.R. 1720 is in the purview of policy officials at the Department of Health and Human Services. My colleagues have advised that H.R. 1720 would increse rather than reduce welfare dependency. The two areas of greatest concern are the broad changes in the standards for treating eligibility and income and the design of the National Education, Trining and Work (NETWork) program.

Instead of the sweeping, top-down changes in the treatment of eligibility and income in H.R. 1720 we prefer the approach taken in the Low-Income Opportunity Improvement Act. The Presidents proposal would enhance States'

flexibility to test ways of coordinating and targeting resources to those in need by treating the public assistance system as a system. Similarly, we believe that the Administration's two interrelated proposals to reform work programs for AFDC recipients, Greater Opportunities through work or GROW in the AFDC program and the AFDC Youth Training initiative under the Jobs Training Partnership Act, are preferable to NETWork.

Under the Low-Income Opportunity Act, State and community efforts to better target welfare resources, eliminate or reduce work disincentives, increase individual choice, and strengthen families will result in new and bold opportunities for low-income individuals and families to increase their social and economic self-sufficiency.

We believe that this proposal offers an exciting opportunity to improve the effectiveness of this nation's welfare system. We look forward to working with you on the passage of welfare reform legislation this year that would provide broad demonstration authority for States to reform the welfare system as a whole.

Mr. Chairman and Members of the Subcommittee, that completes my prepared statement. I will be happy to address any questions you might have.

Testimony of

Jule M. Sugarman, Secretary

Washington State Department of Social and Health Services

Mr. Chairman and Members of the Committee:

INTRODUCTION

I am here today to request that the committee join with the Public Assistance Subcommittee of the House of Representatives in authorizing Washington State to conduct a five-year demonstration of welfare reform.

Two weeks ago our Legislature passed a bill creating the Family Independence Program. FIP will go into effect in March 1988 if appropriate federal authorizations can be obtained.

The FIP demonstration has already been included in the national welfare reform legislation (H.R. 1720) reported out of the Public Assistance Subcommittee of the House Ways and Means Committee on April 9.

The subcommittee deferred to this Committee on one feature of the program the cashing-out of food stamps for FIP enrollees. The concept is that the state would provide enrollees with the full cash equivalent of food stamps for which a family of a given size would otherwise be eligible. Under state law, this equivalent amount would continue to be identified to enrollees as the "food stamp benefit" even though provided as part of the cash grant. The food stamp equivalent would continue to be funded by 100% federal funds. FIP enrollees would receive no less in food cash assistance than they would have received in food stamps under the current program. FIP enrollees will be entitled to the food stamp cash equivalent and there will be no cap on the numbers receiving assistance. Similarly, if federal action increases the grant level, the cash equivalent will be increased in the state. It is our intent that the value of the food stamp cash equivalent be treated as food stamps for purposes of calculating eligibility for other federal benefits (e.g., housing assistance).

The work and training provisions under FIP are very extensive. We estimate that 75% of the enrolled population will be involved in education, training and work. There is authority for mandatory participation in those cases where the youngest child is at least three years old and the family has received assistance for three years.

During the five year FIP demonstration, the state would continue to administer the food stamp coupons to eligible families who were not FIP enrollees.

The purpose of the FIP demonstration is primarily to increase the income level of poor families and their children, by improving

participation of these families in the labor market, and by removing a series of disincentives to such participation inherent in the current AFDC program.

Reasons for the Food Stamp Cash-Out

Our reasons for wanting to test the food stamp cash-out are consistent with the broad reform efforts envisioned for welfare.

First, we very much need to simplify the application, eligibility, and grant process for the sake of administrative efficiency and avoidance of errors and reductions in costs. The current food stamp program, with its differing set of eligibility and procedural requirements, imposes additional administrative complexity and expense. The state will not be able to design and test out a truly simplified system as long as it must administer dual programs for food stamps and public assistance.

Second, we are seeking to apply an understandable cash incentive for work effort. Under the current welfare-food stamp system, that's a little like handing a package to someone on a see-saw. If we increase the welfare grant, the food stamp benefits decline, thereby undercutting the incentive effect. We have to apply an understandable incentive to the whole benefit package in a way that enrollees can understand it. A key to this clarity and simplicity is applying the same income/asset tests and work rules for food stamp and welfare benefits, which we propose to do.

Formula and Costs

For both the state and federal governments, FIP is proposed as a "budget neutral" demonstration. We are not promising to save money over what we would otherwise be spending. But during the five year period, we hope to demonstrate that the same money, federal and state, can be redistributed to provide more adequate benefits and to promote employment and full self-sufficiency sooner than would otherwise occur.

The FIP budget is not a big up-front investment model. In this it differs from other state welfare reform initiatives. Rather, it is a gradual growth model which requires us to expand the employment and social services aspects of the program gradually, as we achieve as the wage offsets which generate reinvestment dollars. Under the state legislature's design, we are not allowed to "mortgage" the grants or food stamp benefits in any sort of adventuresome way. FIP can only expand across the state in proportion to its success in employment of enrollees.

We are providing to the committee the detailed specifications which will enable us to proceed with the demonstration, and with our caseload and cost estimates supporting the "budget neutrality" of the proposal.

In closing, let me just say that Washington State is an agricultural state. Our delegation to Congress has always supported and, we trust, will continue to support the food stamp program. The delegation is supportive of the FIP demonstration, including the food stamp cash-out. We are committed to a more efficient and understandable system with effective work incentives, without the redundant aspects of the current system, but still clearly identifying the food stamp benefit. We believe FIP will demonstrate a better way of disbursing the food stamp benefits without in any way undercutting the identification and entitlements of the program.

I appreciate this opportunity to testify, and urge your support of the Washington State Family Independence Program demonstration.

TESTIMONY OF

ROBERT J. FERSH

EXECUTIVE DIRECTOR

FOOD RESEARCH AND ACTION CENTER

Good Morning. My name is Robert Fersh, and I am the executive director of the Food Research and Action Center here in Washington. FRAC, as we are commonly called, is an organization that works to alleviate hunger and poverty in the United States. We work on many different levels, but our particular area of expertise is federal food assistance programs.

My primary role today is to present our views on the pending initiatives in the area of welfare reform. Much of my testimony today will be devoted to employment and training issues. It is important, however, that we not allow our concern with these issues to detract from efforts to fight the hunger that millions of people in America are experiencing here and now. Food stamp benefits are inadequate and need to be increased. Barriers to participation continue to deny eligible, hungry people food stamps. Action on these issues is urgently needed.

Thanks in large part to your leadership, Mr. Chairman, important nutrition measures were included in both the House and Senate versions of the Urgent Relief for the Homeless Act, which we hope Congress will move quickly towards final passage. We urge you to introduce the Hunger Relief Act again this year and we hope to see it passed into law. We also hope that, in the near future, this committee will look in depth at the issue of barriers to participation in the food stamp program with an eye towards concrete steps to eliminate those barriers. These measures are vital to ameliorate the suffering poor people face today while we work towards longer term reforms.

At the outset, I would like to applaud you, Mr. Chairman, for holding this hearing specifically on food stamps as part of welfare reform. I regret that the food stamp program, despite being America's primary bulwark against hunger and malnutrition, is all too often forgotten in the discussion of welfare reform.

A small indication of this is the choice by the Ways and Means Committee to call its replacement for AFDC the Family Support Program. When it is reduced to its initials, as these programs inevitably are, it becomes the FSP--which obviously is the same handle applied to the food stamp program. While it seems on its face a minor issue to raise, setting up two closely allied programs with the same initials will guarantee repeated confusion about them for the indefinite future.

Employment and Training

A key element of this year's welfare reform debate is the emphasis on employment and training. Those of us that have followed the food stamp program over the years have a deep feeling of ambivalence when discussing employment and training programs. Employment programs, properly constructed and supported with sufficient resources, can and have provided vital opportunities for poor people to lessen their dependency and improve their well-being. But other employment programs, hastily, meanly or lackadaisically constructed or underfunded can and have been the sources of a great deal of unnecessary misery for families in desperate need. We urge this subcommittee to

move forward with the creation of meaningful employment and training programs for food stamp recipients, but we also urge it to take great care that what it creates is a system of positive opportunities and not yet another system of pointless hoops that recipients are forced to jump through.

Any employment and training program that assumes it can have a radical effect upon all or even most of the public assistance caseload within a short amount of time is nothing more than an exercise in self-delusion. Last week, the Manpower Development Research Corporation, the leading organization studying work and welfare programs, held a seminar on its research here in Washington for various groups. One of the key points that was underscored time and again was that for all of the work and welfare approaches that have been tested, the results in terms of increases employment and lessened dependency have been very modest.

Too many of the poor need a great deal of literacy and skills development to be rapidly employable. The cost of educating and training all employable recipients at once is far, far beyond what it is at all realistic to expect the federal or state budgets to absorb. The economy cannot create the millions of low-skill, entry-level jobs these people need, especially at a time when many of the most energetic economic development efforts are geared towards "high-tech" jobs, which are among the least accessible to untrained poor people. Even when AFDC and food stamp recipients do obtain employment, it is unlikely to

eliminate their need or poverty: work should better their lot in many ways and is a worthy objective, but it wildly unrealistic to expect these programs to lift people out of poverty.

The recent, dramatic increase in demand at soup kitchens and homeless shelters clearly does not represent a sudden abandonment of the American work ethic that can be cured by the imposition of coercive work requirements. In fact, both scientific studies and the experience of many people working with the hungry and homeless indicate that the work ethic is if anything stronger than ever among poor people in this country. The causes of poverty are much more complex, and effective remedies are much harder to implement. The key to any welfare reform must be combining adequate benefits for those in need now with adequate opportunities to reduce that need in the future.

Studies have shown that a minimum cost and effort per recipient is needed to have any significant effect. A constructive program will recognize this and will assure that states are not required to serve more people than they can meaningfully assist. We cannot honestly say that we know at precisely what level of funding a program begins to be able to have a positive effect upon recipients, but we think it is reasonably clear that the current food stamp employment and training program is well short of that level. The cheapest employment and training programs are job search requirements and job search training in which no substantive training is offered. The plans submitted under the Food Security Act's employment and

training provisions reflect this fact and are dominated by these components. Unfortunately, job search by people with substantial barriers to employability will not produce lasting employment and, to the extent that they are required, workfare or work experience in menial jobs that do not include any meaningful training opportunities have proven equally useless in gaining employment for people who would not have found work on their own.

In order to make a difference in poor peoples' lives--in order to get employment for those who would otherwise remain totally dependent upon public assistance--more intensive, individualized services must be provided to help recipients overcome the barriers to employability each of them face. Legislation is therefore needed to create new incentives to states to create new, non-duplicative programs to provide these services. As new employment and training programs are created for AFDC recipients, states should be permitted, though not required, to combine these with food stamp employment programs. We should, however, retain at least for food stamp recipients the protections that current law provides against wrongful terminations of benefits or the imposition of unreasonable, onerous burdens.

We should not require single parents of children under the age of six to comply with work requirements, and we should not impose these requirements upon single parents of children under twelve unless adequate child care is guaranteed for that particular parent's children. Some parents of small children in

our society do work, but not all people or families are the same. Many individual life circumstances, which cannot be predicted in generalized statutes or regulations, may make it impossible or highly undesirable for a particular parent to leave his or her children. It is profoundly inconsistent for us to demand that parents exercise a more active, constructive role in guiding their children away from drugs, premature sex, truancy, and violent gangs on the one hand and requiring parents to leave them at age three (or even six months) for mandatory employment and training programs. Instead of mandates that may cause great hardships in many cases, we should have energetic outreach to these parents encouraging them to become involved in employment and training programs, and we should require states to give such volunteers first priority to receive services.

We should be prepared to pay, in advance, recipients' employment and training expenses. We should provide clear standards that will prevent states from denying reimbursements (under AFDC and food stamps) for child-care on unfair or unrealistic bases. Recipients' trust in the program, and their belief in the feasibility of finding work for themselves, can be severely undermined by many arbitrary and post hoc determinations that a particular training program is unnecessary and unrealistic assumptions that a friend or relative who occasionally watches a child will do so for free on a daily basis while the parent participates in an employment or training program. Moreover, parents should not be required to leave their children in day

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care services unless those meet certain minimum standards.

These programs should also emphasize helping recipients rather than sanctioning them for non-compliance. We hear continual reports of sanctions, which can have extremely dire effects upon poor households, for the slightest misunderstandings: mail delays, mislaid telephone messages in welfare offices, missed communications between components of the state agency, and the like. The WIN program requires that the agency attempt conciliation with the recipient before imposing any sanction. A similar procedure for food stamps would greatly reduce the number of unnecessary sanctions for inadvertent errors while enhancing the employment and training program's image among recipients as a positive ally in their struggle for self-sufficiency rather than an oppressive regime seeking primarily to find an excuse to deny them benefits.

This positive attitude should be fostered in states in other ways. The "performance standards" attached to the current food stamp employment and training program should be replaced with ones that measure the quality of the services provided rather than the number of people put through a bureaucratic mill.

The $50 million of 100% federal funds currently available, and any enhanced-match funding over that level, should not be wasted on routine managerial functions that states can accomplish with support at the normal administrative funding matching rate. Instead, these special, scarce resources should be limited to services that have the greatest impact on recipients' employ-

ability: either professional services, such as remedial education, evaluation by qualified vocational experts, and training in marketable skills, or reimbursements for expenses necessary for them to take part in program activities. The special incentive this funding provides is simply not necessary to get states to administer the programs; managing, monitoring, and the like can be done at the normal food stamp administrative match. Enhanced funding for the administrative and "police" functions in employment and training will do nothing to improve recipients' employability but rather is likely to create an even greater bureaucracy, erecting more burdensome hoops that recipients will be forced to jump through for no good purpose. Indeed, the "police" role may be so ingrained in some state welfare agencies' outlooks--and established in their images among recipients--that it may be advisable to limit the enhanced funding solely to reimbursements and services provided outside of the state welfare agency.

In sum, we have seven recommendations to make employment and training programs as constructive a force as possible in recipients' lives. First, employment and training programs should serve motivated volunteers before turning to any mandatory participants. Second, no single parents with children under age six, or with older children for whom no adequate child care is available, should be required to participate. Third, state agencies should be required to attempt conciliation to gain compliance before imposing any sanctions against recipients.

Fourth, pure or enhanced-match federal funding should be focused upon professional services and reimbursements of recipients' expenses. Fifth, the unreasonable and unfair $25 cap on reimbursements of participants should be removed. Sixth, the law should make clear that federal funding can be used for remedial education and child care expenses. And finally, performance standards should be developed that measure, and emphasize, the quality of services provided rather than the number of people processed through superficial programs that have little chance of making a difference.

Pilot Projects

The Administration, the State of Washington, and possibly other states have proposed various pilot projects primarily focusing upon AFDC that also include food stamps. While we are not in any way against pilot projects per se, it is most important that this committee actively participate in the authorizing and monitoring of any such projects to assure that they are not used to undermine important recipient protections or deny hungry people necessary benefits that would be provided under the Food Stamp Act. Congress for good reason has refused to reduce benefits and safeguards of recipients' rights below current levels. There is no reason why meaningful pilot or demonstration projects cannot be run without disturbing this basic fabric of the program.

We should also say that we are quite hesitant about any

proposal that calls for cashing out food stamps. In some communities, many landlords routinely set their rents at or within a few dollars of the maximum cash public assistance benefit. Food stamps' non-cash nature prevents landlords and other creditors from demanding that they be included in recipients' payments and hence preserves a minimum level of food purchasing power for households. Cashing out these recipients' food stamps could place them very much at risk. Cashed out benefits also run the risk of being counted as income for public, or private, needs-based programs, thereby undermining the net value of the assistance provided. We urge the committee to approach any proposal calling for a large-scale cash-out of food stamps with great caution.

Specifically, any program such as Washington State's Family Independence Program (FIP), that contemplates cashing out food stamps for some recipients--essentially those also receiving AFDC--must not displace the food stamp program for persons ineligible for, or not choosing to receive, AFDC benefits. Any cash-out program should respect food stamp benefit levels: no recipient should receive less than he or she would under the food stamp program, and states should not be permitted to reduce AFDC levels to pay for the maintenance of food stamp benefit levels. The food stamp program's adjustment of benefits to reflect the special circumstances of households with high shelter costs should be preserved as well. Future increases in food stamp benefits and deductions should be passed along.

All programs must continue to be federal entitlements: benefits must not be funded on a block grant basis. And at least the food stamp portion of cashed-out benefits must continue to be excluded from being counted for other needs-based programs. To ensure that this happens, the warrants or check stubs for the combined benefits should clearly specify what portion of the total represents the food stamp benefit. The food stamp program's special procedures for counting the income of migrant farm workers should be maintained.

The only states allowed to conduct pilot projects should be those that have demonstrated a serious commitment to helping poor people: those states that provide AFDC to two-parent families and whose AFDC payment level, when combined with food stamp benefits, at least approaches the poverty level.

Households' need for emergency food assistance does not decline because the benefits they ultimately will be issued are cashed-out: states should be required to provide expedited issuance to all those eligible for it under the Food Stamp Act. Those ineligible for expedited issuance should have their applications acted upon within the current thirty-day processing standard. Benefits should be paid retroactive to the date of application, as they are now for food stamps. Current provisions requiring food stamp offices to help with the verification process where necessary to prevent erroneous denials should be applied to any pilot program.

Households whose combined benefits are being discontinued

should have their eligibility for food stamps examined and, if appropriate, a non-public assistance food stamp case opened for them, before combined benefits cease. Applications for combined benefits should be considered applications for non-public assistance food stamps if it is determined that they are ineligible for AFDC. All of the Food Stamp Act's due process protections should be preserved.

The rights of non-AFDC-eligible members of households containing AFDC recipients should have their rights under the food stamp program protected. We recommend waiving current household definition rules to allow them to form separate non-public assistance households.

Other Initiatives to Reduce Food Stamp Recipients' Need

The food stamp program can serve the aspirations of the numerous recipients who badly want to increase their own employability and get off of public assistance by supporting initiatives to collect child support and correcting disincentives to obtain training and work.

Child Support. The first $50 of child support should be disregarded as it is in the AFDC program. This provides an important incentive to complement enhanced enforcement efforts to get absent parents to help support dependent children.

Dependent Care Deduction. We should remove the current, unrealistic limit on the child-care expenses that may be deducted for food stamp purposes and allow any reasonable, necessary

expenses. At a minimum, we should expand the dependent care deduction to conform to the child-care deduction in AFDC: the maximum allowed should at least be on a per child, rather than per household, basis, and any increase made in the AFDC program, such as that proposed in H.R. 1720, should be mirrored for food stamp recipients.

Students. We should eliminate the ban on students getting food stamps. With much of the future increase in employment expected in high-tech and other fields demanding substantial educational achievement, it is counter-productive in the extreme to penalize poor people for taking the initiative to make themselves employable in these job markets. In a similar vein, we should exclude from income all public needs-based education benefits for food stamps as we do for AFDC. Currently only a group of Department of Education programs are subject to a broad exclusion from income.

Transportation. We should ensure that recipients can get to and from training and employment sites, and that they can conduct effective job searches, by expanding the exemption of vehicles from being counted against food stamp asset ceilings.

AFDC-Food Stamp Conformity

We should not rush headlong into making the AFDC and food stamp programs conform without considering the policy implications of these changes. Some of the differences between the two programs result from unfair conditions being put upon AFDC that

were enacted purely for budgetary reasons in 1981 without any adequate policy justification. It follows therefore that most changes to bring about conformity should come from the Ways and Means Committee in the form of amendments to the AFDC program. Several such promising proposals have been offered by the American Public Welfare Association.

For example, we should raise the AFDC general resource limit to the food stamp level. We should also raise the vehicle limit for AFDC to the food stamp level and evaluate the fair market value of the recipient's equity in both programs.

We should exempt the cash surrender value of life insurance policies from resources for AFDC as they are for food stamps. AFDC should adopt the food stamp 20% work expense deduction, or both programs should revert to the pre-1981 AFDC rule of only counting net income actually available to recipients. We should eliminate the AFDC lump sum rule.

If some food stamp conformity provisions are needed, they should be carefully selected to promote fairness as well as conformity. For example, we should have continued eligibility for food stamps determined through redeterminations, as AFDC is, instead of recertifications. There is new data showing that the current recertification process improperly terminates benefits to large numbers of eligible people. Even when benefits are continued, many states fail to conduct recertifications on time, with the result that households must suffer through periodic lapses in benefits.

Further work is needed to effectuate the concept of categorical eligibility, enacted in the Food Security Act, and to coordinate the food stamp application process with that in the AFDC and SSI programs. States should be required to implement simplified joint AFDC-food stamp application forms and to determine the food stamp entitlement of every person applying for AFDC or SSI. We have received very discouraging reports about Social Security offices' implementation of the Food Stamp Act's requirement that they accept and assist with the processing of food stamp applications. This requirement should be strengthened, and it should be extended to applicants for Social Security benefits.

Conclusion

We again wish to express our appreciation to you, Mr. Chairman, for providing strong initiative and leadership on this issue as you have on so many others of importance to poor people. We share your sense of excitement and the potential for welfare reform to take important strides in reducing hunger and misery for poor people across this country, and we pledge our assistance in trying to make the promise of meaningful, positive change a reality. We must be mindful of the dangers of increasing poor people's problems by creating a new employment and training bureaucracy that forces recipients to jump through hoops and endure sanctions without any meaningful prospect of bettering their lot. But we must seize any chance to expand recipients' opportunities to gain a better life for themselves and their families. Thank you very much.

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TESTIMONY OF
WALTER CREDLE

ASSISTANT DIRECTOR, VIRGINIA BEACH DEPARTMENT
OF SOCIAL SERVICES
AND
CHAIRPERSON
NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS
OF THE
AMERICAN PUBLIC WELFARE ASSOCIATION
BEFORE THE

SUBCOMMITTEE ON DOMESTIC MARKETING,
CONSUMER RELATIONS AND NUTRITION
OF THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

MAY 5, 1987

GOOD MORNING MR. CHAIRMAN, MEMBERS OF THE SUBCOMMITTEE. MY NAME IS WALTER CREDLE, I AM THE ASSISTANT DIRECTOR OF THE VIRGINIA BEACH DEPARTMENT OF SOCIAL SERVICES AND CHAIRPERSON OF THE AMERICAN PUBLIC WELFARE ASSOCIATION'S NATIONAL COUNCIL OF LOCAL PUBLIC WELFARE ADMINISTRATORS. I AM HERE TODAY WITH RANDALE VALENTI, ASSOCIATE DIRECTOR OF ECONOMIC AND SOCIAL SERVICES FOR THE ILLINOIS DEPARTMENT OF PUBLIC AID. I WILL FIRST DISCUSS THE ASSOCIATIONS RECOMMENDATIONS ON COMPREHENSIVE WELFARE REFORM AND MR. VALENTI WILL DISCUSS IN MORE DETAIL THE ROLE OF THE FOOD STAMP PROGRAM IN WELFARE REFORM.

BACKGROUND

WELFARE REFORM HAS BEEN A VERY HIGH PRIORITY FOR STATE AND LOCAL HUMAN SERVICE ADMINISTRATORS. MY COLLEAGUES AND I BELIEVE THAT WE MUST GO FAR BEYOND MERE TINKERING WITH PRESENT PUBLIC WELFARE PROGRAMS AND REDESIGN FUNDAMENTALLY, THE WAY WE RESPOND TO POVERTY IN THIS COUNTRY.

TODAY ONE CHILD IN FOUR IS BORN INTO POVERTY. ONE CHILD IN FIVE LIVES OUT HIS OR HER CHILDHOOD IN POVERTY. AMONG BLACKS AND HISPANICS THE NUMBERS ARE EVEN MORE STARK: ONE OUT OF TWO BLACK CHILDREN IS POOR. TWO OF FIVE HISPANIC CHILDREN ARE POOR. PUBLIC HUMAN SERVICE ADMINISTRATORS HAVE RESPONSIBILITY WITHIN OUR COMMUNITIES FOR THE HEALTH AND WELL-BEING OF THOSE WHO ARE VULNERABLE. WE OVERSEE THE DEVELOPMENT AND DELIVERY OF SERVICES. WE HAVE EXPERIENCE AND SPECIFIC EXPERTISE IN THESE

AREAS. BECAUSE OF THAT EXPERIENCE AND OUR LEADERSHIP RESPONSIBILITIES, WE BELIEVE WE CAN BE BOTH LEGITIMATE ADVOCATES FOR THE CLIENTS SERVED AND RIGOROUS CRITICS OF THE EXISTING SYSTEM.

WE ALL KNOW THAT SOMETHING CLEARLY IS NOT WORKING. THE AVAILABLE ARRAY OF SERVICES IS NOT ADEQUATE TO THE NEEDS OF AMERICA'S POOR CHILDREN AND THEIR FAMILIES.

RESPONDING TO THE NUMBERS AND WHAT THEY REPRESENT, THE STATE HUMAN SERVICE ADMINISTRATORS ADOPTED A POLICY STATEMENT IN 1985 CALLING FOR A RENEWED PUBLIC COMMITMENT TO POOR CHILDREN AND THEIR FAMILIES. A STEERING COMMITTEE WAS FORMED REPRESENTING APWA'S BOARD OF DIRECTORS AND ITS COUNCILS OF STATE AND LOCAL WELFARE ADMINISTRATORS.

THE STEERING COMMITTEE HELD ITS FIRST FORMAL SESSION MORE THAN ONE YEAR AGO. THE GROUP IS ITSELF DIVERSE BOTH POLITICALLY AND GEOGRAPHICALLY. THEY ARE REPUBLICANS AND DEMOCRATS; LIBERALS AND CONSERVATIVES. THEY COME FROM LARGE STATES AND SMALL STATES; THEY SERVE URBAN AND RURAL POPULATIONS.

THE GROUP DEBATED THE APPROPRIATE GOALS FOR OUR WELFARE SYSTEM AND THE POLICIES TO ATTAIN THOSE GOALS. THEY MET WITH A NUMBER OF YOUR COLLEAGUES, WITH CONGRESSIONAL STAFF, WITH OFFICIALS IN THE ADMINISTRATION, WITH OTHER STATE AND LOCAL GOVERNMENT ORGANIZATIONS, PRIVATE NON-PROFIT GROUPS, AND WITH SOCIAL

SCIENTISTS WORKING ON THE WHOLE RANGE OF ISSUES WITHIN THE SOCIAL WELFARE FIELD.

THE GOAL OF THESE DELIBERATIONS AND SUBSEQUENT RECOMMENDATIONS IS STRAIGHTFORWARD: TO REDUCE THE NUMBER OF CHILDREN LIVING IN POVERTY BY PROMOTING SELF-SUFFICIENCY AND STRONG FAMILIES.

OUR PROPOSALS FOR COMPREHENSIVE WELFARE REFORM ARE CONTAINED IN THE FAMILY INVESTMENT ACT OF 1987 (H.R. 1255) INTRODUCED BY REPRESENTATIVES BARBARA KENNELLY (D-CONN.) AND ROBERT MATSUI (D-CALIF.). MANY OF THESE RECOMMENDATIONS HAVE BEEN INCORPORATED INTO THE FAMILY WELFARE REFORM ACT OF 1987 (H.R. 1720), APPROVED BY THE WAYS AND MEANS SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION.

APWA'S RECOMMENDATIONS

WE BELIEVE THAT INDIVIDUALS BEAR THE PRIMARY RESPONSIBILITY FOR THEIR OWN WELL-BEING AND THAT OF THEIR FAMILIES. IN OUR VIEW, SELF-SUFFICIENCY MEANS FOR AN ADULT, A GOOD JOB; AND FOR A CHILD A NURTURING FAMILY AND SUCCESS IN SCHOOL. WE VALUE FAMILIES AS THE BASIC BUILDING BLOCK OF OUR SOCIETY, BUT WE ALSO REALIZE THAT POLICIES AND PROGRAMS MUST RECOGNIZE THE CHANGING FACE OF FAMILIES, ESPECIALLY THE INCREASING NUMBER OF SINGLE-PARENT FAMILIES HEADED BY WOMEN. THERE IS A VITAL PUBLIC ROLE AND RESPONSIBILITY FOR SOCIETY'S WELFARE AND EACH INDIVIDUAL HAS CERTAIN RESPONSIBILITIES TOWARD SOCIETY.

THE WELFARE SYSTEM IS COMPLEX AND DYNAMIC. IT REQUIRES POLICYMAKERS TO GO FAR BEYOND TINKERING WITH THE EXISTING STRUCTURE. IT REQUIRES A FUNDAMENTAL REDESIGN OF THAT STRUCTURE. INVESTING IN STRONGER SELF-SUFFICIENT FAMILIES WILL BRING SIGNIFICANT RETURNS: PRODUCTIVE WORKERS FOR A SHRINKING LABOR MARKET, DIMINISHING NEED FOR INCOME MAINTENANCE AND SOCIAL SERVICES PROGRAMS, AND A STRONGER SOCIETY OVERALL.

TO PUT THE CONCEPT OF INVESTMENT AND MUTUAL RESPONSIBILITY INTO ACTION, WE HAVE PROPOSED MAJOR REFORMS IN INCOME SECURITY, EDUCATION, AND EMPLOYMENT PROGRAMS. THE KEY COMPONENTS OF OUR FAMILY INVESTMENT PROGRAM INCLUDE THE FOLLOWING:

- A CLIENT-AGENCY CONTRACT REQUIRING ACTIONS BY CLIENTS AND SERVICES FROM AGENCIES ENCOMPASSING EDUCATION, EMPLOYMENT AND STRENGTHENED FAMILY LIFE. WORK OR EDUCATION TOWARD EMPLOYMENT IS REQUIRED OF PARENTS OF CHILDREN OVER 3; WORK-RELATED OR OTHER PART-TIME OUT-OF-HOME ACTIVITY IS REQUIRED OF OTHER PARENTS.

- A COMPREHENSIVE WELFARE-TO-JOBS PROGRAM IN EACH STATE TO PROVIDE THE SERVICES NECESSARY FOR FAMILIES TO MOVE FROM WELFARE TO SELF-SUFFICIENCY. A STRONG CONNECTION BETWEEN ECONOMIC DEVELOPMENT AND HUMAN DEVELOPMENT SO THAT JOBS ARE AVAILABLE FOR THOSE NOW DEPENDENT ON WELFARE.

- AGGRESSIVE ENFORCEMENT OF CHILD SUPPORT INCLUDING PATERNITY DETERMINATION, VIEWED BY COMMISSIONERS AS A RESPONSIBILITY OF BOTH INDIVIDUALS AND HUMAN SERVICE AGENCIES.

- A NEW NATIONALLY-MANDATED, "FAMILY LIVING STANDARD" USING ACTUAL LIVING COSTS AS THE BASIS FOR CASH ASSISTANCE TO ELIGIBLE FAMILIES. THE "FLS" WOULD PROVIDE A STABLE ECONOMIC BASE AS FAMILIES MOVE TOWARD SELF-SUFFICIENCY AND WOULD REPLACE BENEFITS TO FAMILIES WITH CHILDREN UNDER THE AID TO FAMILIES WITH DEPENDENT CHILDREN, FOOD STAMP, AND LOW-INCOME HOME ENERGY ASSISTANCE PROGRAMS.

- STRONGER PUBLIC SCHOOLS FOR LOW-INCOME CHILDREN INCLUDING BETTER PREPARATION AND STANDARDS TO ASSURE ACADEMIC PROGRESS AND GRADUATION FROM HIGH SCHOOL.

- AVAILABILITY OF HEALTH INSURANCE OR MEDICAL ASSISTANCE TO MEET THE FAMILY'S NEEDS AND SUPPORT MOVEMENT TOWARD SELF-SUFFICIENCY.

- INCREASED AVAILABILITY OF AFFORDABLE, QUALITY CHILD CARE TO MEET CHILDREN'S NEEDS AND SUPPORT FAMILIES WORKING TOWARD SELF-SUFFICIENCY.

- CASE MANAGEMENT IN OUR HUMAN SERVICE AGENCIES TO HELP FAMILIES MORE EFFECTIVELY ASSESS THEIR TOTAL NEEDS AND RESOURCES, TO IMPLEMENT AND MONITOR THE CLIENT CONTRACT.

AND TEMPORARILY COORDINATE NEEDED SERVICES IN FAMILIES FOR WHICH IT IS NECESSARY.

THE NEED FOR COMPREHENSIVENESS

FOR SOME-INCLUDING SOME OF YOUR COLLEAGUES MR. CHAIRMAN, WELFARE REFORM SEEMS TO HAVE BECOME A EUPHEMISM FOR NEW WELFARE-TO-WORK PROGRAMS OR OLD WORKFARE PROGRAMS. REFORM OF THE WELFARE SYSTEM MUST BE A COMPREHENSIVE REFORMULATION OF CASH ASSISTANCE, EDUCATION, HEALTH CARE AND EMPLOYMENT-RELATED POLICIES THAT STRENGTHEN FAMILY LIFE AND PROMOTE SELF-SUFFICIENCY.

THE APWA PROPOSALS PROVIDE SUCH A SWEEPING REVISION. WE HAVE TAKEN AT THEIR WORD ALL OF THE PROPONENTS OF WELFARE REFORM--THE PRESIDENT, THE CONGRESS, THE GOVERNORS, THE ADVOCATES, THE CLIENTS. OUR PROPOSAL GOES BEYOND THE QUESTION OF WHETHER TO INCLUDE THE UNEMPLOYED PARENT IN PUBLIC ASSISTANCE AND WHETHER THE INCONSISTENCIES IN BENEFITS FROM STATE TO STATE SHOULD BE ELIMINATED. IT SHOULD GO WITHOUT SAYING THAT THE ENTIRE FAMILY IN NEED SHOULD BE ASSISTED SO THAT IT MAY ULTIMATELY BE SELF-SUFFICIENT. AND, OF COURSE, THE CASH ASSISTANCE PROVIDED TO FAMILIES SHOULD BE BASED ON THEIR ECONOMIC NEED AND RESOURCES.

WE BELIEVE THAT OUR SOCIAL POLICY MUST ULTIMATELY BE BUILT ON A COMPREHENSIVE SOCIAL INSURANCE MODEL. THIS IS IN PART PRAGMATIC, IN PART PHILOSOPHICAL. OUR PUBLIC PROGRAMS DIRECTED AT ECONOMICALLY ADVANTAGED AS WELL AS DISADVANTAGE INDIVIDUALS HAVE

FARED WELL; MEANS-TESTED PROGRAMS HAVE NOT. WE BELIEVE ASSISTANCE TO POOR FAMILIES AND CHILDREN SHOULD BE BASED ON ECONOMIC NEED, NOT ON OTHER MORE ARBITRARY FACTORS. YOUNG PARENTS IN POVERTY WHO HAVE NEVER HAD THE ADVANTAGE OF GAINFUL EMPLOYMENT FACE JUST AS MANY COSTS ON BEHALF OF THEIR CHILDREN AS DO LAID-OFF AUTO WORKERS OR FARMERS DISPLACED BY ECONOMIC FACTORS BEYOND THEIR CONTROL. CHILDREN IN NEED ARE CHILDREN IN NEED.

IN ORDER TO BE SUCCESSFUL, WELFARE REFORM MUST BE COMPREHENSIVE. IT MUST ENCOMPASS THE NOTION OF MUTUAL OBLIGATIONS BETWEEN POOR FAMILIES AND SOCIETY. IT MUST CONTAIN IMPROVEMENTS IN THE BENEFITS POOR FAMILIES ACTUALLY RECEIVE. WE CANNOT EXPECT POOR FAMILIES TO TAKE THOSE ACTIONS NECESSARY TO GAIN SELF-SUFFICIENCY IF THEY DO NOT HAVE, IN THE INTERIM, THE WHEREWITHAL TO FEED AND CLOTHE THEIR CHILDREN. WE BELIEVE THAT THE LEGISLATION NOW BEFORE THE FULL WAYS AND MEANS COMMITTEE, THE FAMILY WELFARE REFORM ACT OF 1987 (H.R. 1720) DOES CONSTITUTE COMPREHENSIVE WELFARE REFORM, AND WE SUPPORT THAT LEGISLATION.

WHILE THERE ARE SOME PARTS OF H.R. 1720 WE WOULD LIKE TO ENHANCED THE BASIC ELEMENTS OF THIS LEGISLATION REFLECT QUITE CLEARLY APWA'S RECOMMENDATIONS FOR COMPREHENSIVE WELFARE REFORM. THE BILL INCLUDES A SIGNIFICANT WELFARE TO WORK PROGRAM, OUR CONCEPTS OF CONTRACT AND CASE MANAGEMENT, WORK INCENTIVES, EXPANSION OF AFDC-UP, BENEFIT INCREASES, CHILD SUPPORT IMPROVEMENTS AND MEDICAID AND CHILD CARE TRANSITION COVERAGE WHICH CLOSELY REFLECT OUR PROPOSAL ALSO.

H.R. 1720 DOES NOT, AS APWA HAD RECOMMENDED, CONSOLIDATE THE MAJOR BENEFIT PROGRAMS, INCLUDING FOOD STAMPS, INTO A NEW FAMILY LIVING STANDARD, ALTHOUGH IT DOES INCLUDE A STUDY OF THE FAMILY LIVING STANDARD CONCEPT AS A BASIS FOR CASH ASSISTANCE. THAT LEGISLATION WOULD LEAVE THE FOOD STAMP PROGRAM BASICALLY INTACT.

WE APPRECIATE THE OPPORTUNITY TO APPEAR HERE TODAY, MR. CHAIRMAN, BECAUSE WE BELIEVE IT IS NECESSARY AND APPROPRIATE TO ADDRESS THE FUTURE OF THE FOOD STAMP PROGRAM WITHIN THE CONTEXT OF OVERALL WELFARE REFORM. MR. VALENTI WILL DISCUSS APWA'S RECOMMENDATIONS FOR THE FOOD STAMP PROGRAM, FOCUSING ON SIMPLIFICATION AND CONSOLIDATION OF THE AFDC AND FOOD STAMP PROGRAMS.

TESTIMONY OF

RANDALE VALENTI
ASSOCIATE DIRECTOR, OFFICE FOR EMPLOYMENT
AND SOCIAL SERVICES

ILLINOIS DEPARTMENT OF PUBLIC AID
ON BEHALF OF THE
NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS
OF THE
AMERICAN PUBLIC WELFARE ASSOCIATION
FOR

SUBCOMMITTEE ON CONSUMER RELATIONS, DOMESTIC
MARKETING AND NUTRITION
OF THE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES

MAY 5, 1987

GOOD MORNING. I AM RANDALE VALENTI, ASSOCIATE DIRECTOR OF THE OFFICE FOR EMPLOYMENT AND SOCIAL SERVICES OF THE ILLINOIS DEPARTMENT OF PUBLIC AID. I AM HERE TODAY REPRESENTING THE AMERICAN PUBLIC WELFARE ASSOCIATION AND ITS NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO TALK ABOUT THE FOOD STAMP PROGRAM'S ROLE IN WELFARE REFORM, FOCUSING ON SOME RECOMMENDATIONS FOR SIMPLIFICATION AND CONSOLIDATION OF THE AFDC AND FOOD STAMP PROGRAMS.

AS WALT HAS INDICATED, THE AMERICAN PUBLIC WELFARE ASSOCIATION'S RECOMMENDATIONS FOR COMPREHENSIVE WELFARE REFORM DID GO BEYOND THE PROGRAMS ADDRESSED BY H.R. 1720 IN THAT THE NEW FAMILY LIVING STANDARD WOULD REPLACE THE FOOD STAMP PROGRAM AND LOW-INCOME HOME ENERGY ASSISTANCE BENEFITS FOR ELIGIBLE POOR FAMILIES. WE DO, HOWEVER, SUPPORT H.R. 1720 BECAUSE IT PROVIDES THE NECESSARY FRAMEWORK FOR COMPREHENSIVE WELFARE REFORM; IT ADDRESSES THE MAJOR AREAS OF BENEFITS, WORK PROGRAMS, AND TRANSITIONAL BENEFITS. BUT THAT FRAMEWORK, COMPREHENSIVE THOUGH IT IS, NOT YET COMPLETE BECAUSE IT DOES NOT ADDRESS THE FOOD STAMP PROGRAM.

WE BELIEVE THE FIRST STEP THAT MUST BE TAKEN WITH REGARD TO THE FOOD STAMP PROGRAM HAS TO DO WITH SIMPLIFICATION AND CONSOLIDATION OF THE FOOD STAMP AND CASH ASSISTANCE PROGRAMS. THE CURRENT OVERLAPPING, COMPLEX AND OFTEN CONTRADICTORY RULES AND REGULATIONS OF THE AFDC AND FOOD STAMP PROGRAMS MUST BE

ADDRESSED IN A FINAL VERSION OF COMPREHENSIVE WELFARE REFORM LEGISLATION.

IN ILLINOIS FOR EXAMPLE DURING THE PERIOD OCTOBER 1983 THROUGH DECEMBER 1984 WE CONDUCTED A FOOD STAMP SIMPLIFICATION DEMONSTRATION THAT INCLUDED ALL FOOD STAMP HOUSEHOLDS MADE UP OF ENTIRELY AFDC RECIPIENTS. UNDER THE POLICY USED DURING THE DEMONSTRATION, DETERMINATION OF THE HOUSEHOLD'S CORRECT BENEFIT AMOUNT WAS SIMPLIFIED BY ELIMINATING THE COMPLEX FOOD STAMP BENEFIT CALCULATION AND REPLACING IT WITH A SET OF STANDARDIZED ALLOTMENT TABLES, SIMILAR TO THE STANDARDIZED TABLE WHICH ILLINOIS CURRENTLY USES IN THE AFDC PROGRAM. INSTEAD OF CALCULATING THE ALLOTMENT THE WORKER HAD ONLY TO REFER TO THE TABLE.

THE DEMONSTRATION WAS EXTREMELY EFFECTIVE IN TWO WAYS. FIRST, BY REDUCING THE NUMBER OF FACTORS TO BE CONSIDERED IN ELIGIBILITY DETERMINATION AND BENEFIT CALCULATION, IT SAVED CONSIDERABLE STAFF TIME. SECOND, BY SIMPLIFYING THE DETERMINATION PROCESS IT REDUCED ERRORS.

THE INCREASED EFFICIENCY THAT WOULD ARISE FROM MORE CONSISTENCY IN PROGRAMS SERVING LARGELY OVERLAPPING POPULATIONS IS SELF-EVIDENT. THE PRESENT WASTE OF RESOURCES NECESSITATED BY NEEDLESS COMPLEXITY IS ESPECIALLY INTOLERABLE AT A TIME OF FISCAL CONSTRAINTS AND A BUILDING CONSENSUS THAT THE PARAMOUNT GOALS OF BOTH PROGRAMS IS ULTIMATE FAMILY SELF-SUFFICIENCY.

APWA AND ITS NATIONAL COUNCIL OF STATE HUMAN SERVICE ADMINISTRATORS HAVE DEVELOPED A COMPREHENSIVE SET OF LEGISLATIVE AND REGULATORY RECOMMENDATIONS FOR CONSOLIDATION AND SIMPLIFICATION OF THE AFDC AND FOOD STAMP PROGRAMS. THE GOALS OF THESE PROPOSALS ARE: FIRST, REMOVING AND REPLACING COMPLEX AND SOMETIMES CONTRADICTORY POLICIES WITH A STREAMLINED COORDINATED SET OF POLICIES TO REDUCE BARRIERS TO PARTICIPATION IN THE AFDC AND FOOD STAMP PROGRAMS. SECOND, BY COORDINATING AND SIMPLIFYING THE PROGRAMS, THE ADMINISTRATIVE BURDEN IN MAINTAINING SEPARATE COMPLEX REQUIREMENTS FOR PROGRAMS SERVING OVERLAPPING POPULATIONS IS REDUCED. FINALLY, SUCH SIMPLIFICATION CAN PROVIDE A CLEARER, MORE COHERENT PROGRAM BASE FROM WHICH EFFORTS AT CLIENT SELF-SUFFICIENCY CAN BE LAUNCHED.

A COPY OF OUR RECOMMENDATIONS HAS BEEN SUBMITTED FOR THE RECORD. I WOULD, HOWEVER, LIKE TO TAKE A MOMENT TO OVERVIEW SOME OF THE RECOMMENDED FOOD STAMP CHANGES FOR THE COMMITTEE.

o CHILD SUPPORT DISREGARD

CONGRESS SHOULD EXEMPT AS INCOME ANY CHILD SUPPORT PAYMENT RECEIVED BY A FOOD STAMP RECIPIENT TO THE SAME EXTENT THAT SUCH INCOME IS DISREGARDED IN THE AFDC PROGRAM. THE AFDC PROGRAM EXEMPTS THE FIRST $50 OF CHILD SUPPORT PAYMENTS WHEN DETERMINING INCOME. SUCH A CHANGE WOULD NOT ONLY SIMPLIFY THE ADMINISTRATION OF THE FOOD STAMP PROGRAM IT

WOULD PROVIDE INCENTIVES FOR ABSENT PARENTS TO MAKE CHILD SUPPORT PAYMENTS.

o MONTHLY REPORTING AND RETROSPECTIVE BUDGETING

CONGRESS SHOULD AMEND THE FOOD STAMP ACT TO MAKE MONTHLY REPORTING SYSTEMS OPTIONAL. STATES SHOULD BE PERMITTED TO USE SUCH SYSTEMS AT THEIR DISCRETION AND MAINTAIN THE FLEXIBILITY TO DESIGN SUCH SYSTEMS TO BEST SUIT THEIR ADMINISTRATIVE AND OPERATING STRUCTURES. THE CURRENT WAIVER PROCESS IS BOTH CUMBERSOME AND TIME CONSUMING. FURTHER, THE NEWLY MANDATED INCOME AND ELIGIBILITY VERIFICATION SYSTEMS CAN PROVIDE THE SAME INFORMATION MORE EFFECTIVE.

o IMPLEMENTATION OF NEW RULES

CONGRESS SHOULD REQUIRE A TIME-LIMITED MORATORIUM ON QUALITY CONTROL ERRORS SUBSEQUENT TO IMPLEMENTATION OF MAJOR CHANGES IN THE FOOD STAMP PROGRAM, AS IS CURRENTLY THE CASE IN THE AFDC PROGRAM. THIS WOULD ALLOW FOR A RATIONAL, PLANNED IMPLEMENTATION PERIOD THAT WOULD INCLUDE THE FLEXIBILITY NECESSARY TO TEST AND EVALUATE THE BEST WAY TO IMPLEMENT A GIVEN POLICY.

- Transfer of Asset Policy

  The transfer of assets policy in the food stamp program should be changed to permit state flexibility in developing such policies to coincide with the AFDC policy. Currently in the food stamp program participation is prohibited if a countable asset is transferred for less than fair market value during the three months prior to application or during the certification period and a household may be disqualified for up to one year for this reason. No parallel provision exists in the AFDC program.

- Prepaid burial plans

  Congress should amend the food stamp act to reflect AFDC's treatment of funeral agreements which exempts bona fide funeral agreements with an equity value of no more than $1500 for each member of the household.

- Complementary Programs

  Congress should amend the food stamp act to permit states to exclude as income state funded programs aimed at special needs as is currently the case in the AFDC program. This change would facilitate joint eligibility determinations and benefit calculations in both programs. It would also

ENCOURAGE STATES TO PROVIDE SPECIAL ASSISTANCE NEEDS NOT CURRENTLY ADDRESSED BY THE AFDC AND FOOD STAMP PROGRAMS, I.E. SERVICES FOR BATTERED WOMEN AND CHILDREN, THE HOMELESS AND THE RECENTLY DEINSTITUTIONALIZED.

- EMPLOYMENT AND TRAINING

ALTHOUGH THE NCSHSA REPORT ON SIMPLIFICATION AND CONSOLIDATION DID NOT MAKE SPECIFIC RECOMMENDATIONS IN AREA OF EMPLOYMENT AND TRAINING. THIS IS CLEARLY AN AREA WHERE COORDINATION OF POLICIES IS VERY IMPORTANT.

STATES SUPPORT MR. PANETTA IN HIS BELIEF THAT THE FOOD STAMP EMPLOYMENT AND TRAINING PROGRAM SHOULD BE RESTRUCTURED TO REFLECT THE NETWORK PROGRAM IN H.R. 1720. AGAIN, BECAUSE THE AFDC AND FOOD STAMP PROGRAMS ARE SERVICING THE SAME POPULATION AND PURSUING THE SAME GOAL OF SELF SUFFICIENCY FOR THE RECIPIENTS IT DOES NOT MAKE SENSE NOT TO PROVIDE COMPARABLE SERVICES IN BOTH PROGRAMS. THE LIMITED FUNDS PROVIDED FOR FOOD STAMP EMPLOYMENT AND TRAINING PROGRAMS LIMIT THE OPTIONS STATES HAVE IN SERVICES WHICH CAN BE PROVIDED. THIS IS FURTHER COMPLICATED BY THE LACK OF MONEY PROVIDED FOR SUPPORT SERVICES SUCH AS DAY CARE. CURRENTLY, THERE IS A $25 CAP ON REIMBURSEABLE SUPPORT. CLEARLY $25 A MONTH CANNOT PROVIDE ADEQUATE FUNDS FOR PARENTS WHO MUST WORK. FOR EXAMPLE IN ILLINOIS IN OUR PROJECT CHANCE PROGRAM WOMEN WITH YOUNG CHILDREN ARE

ENCOURAGED TO VOLUNTEER FOR EDUCATION AND TRAINING PROGRAMS. HOWEVER, IN ORDER FOR THESE WOMEN TO BE SUCCESSFUL, THEY MUST HAVE THE NEEDED CHILD CARE SERVICES. THE FEDERAL GOVERNMENT SHOULD SHARE IN THIS EXPENSE AS AN INVESTMENT IN THE FUTURE.

IN CLOSING LET ME MENTION THAT ALTHOUGH H.R. 1720 WOULD CREATE AN ADVISORY GROUP TO STUDY AND MAKE RECOMMENDATIONS ON CONSOLIDATION AND SIMPLIFICATION WE FEEL THAT THE TIME FOR STUDY IS PAST AND THE IMPETUS NOW IS FOR CHANGE.

THE HOUSE SELECT COMMITTEE ON HUNGER, WITH THE INVOLVEMENT OF REPRESENTATIVES PANETTA AND EMERSON, HAS FOUND THAT NUMEROUS STUDIES AND DEMONSTRATIONS HAVE BEEN PERFORMED IN THIS AREA. ALL POINTED TO THE NEED FOR, AND EFFECTIVENESS OF, SIMPLIFICATION AND COORDINATION POLICIES. OUR FORMER COMMISSIONER IN ILLINOIS, GREG COLER, TESTIFIED BEFORE THE SELECT COMMITTEE IN JULY OF 1985 ON THE ILLINOIS FOOD SIMPLIFIED APPLICATION DEMONSTRATION PROJECT THAT REFERENCED EARLIER IN MY TESTIMONY.

IN ILLINOIS WE FOUND WHAT OTHERS SUCH PROJECTS HAVE FOUND--THAT SIMPLIFICATION OF FOOD STAMP ELIGIBILITY REQUIREMENTS BY MAKING THEM MORE CONSISTENT WITH THE AFDC PROGRAM RESULTED IN LESS ERRORS AND LESS CONFUSION BY CASEWORKERS AND CLIENTS.

WE COMMEND YOU FOR YOUR ATTENTION TO THESE ISSUES AND ENCOURAGE YOU TAKE THIS OPPORTUNITY TO MAKE SOME SIGNIFICANT CHANGES TO THE FOOD STAMP PROGRAM NOW. BY SIMPLIFYING AND CONSOLIDATING THE AFDC AND FOOD STAMP PROGRAMS YOU WOULD BE LAYING THE GROUND WORK FOR TRUE WELFARE REFORM.

TESTIMONY OF ROBERT GREENSTEIN

DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

before the

SUBCOMMITTEE ON DOMESTIC MARKETING, CONSUMER AFFAIRS, AND NUTRITION

HOUSE COMMITTEE ON AGRICULTURE

May 5, 1987

I appreciate your invitation to testify on food stamp issues relating to welfare reform. Like many other people interested in welfare reform, it would be my hope that, at long last, welfare reform legislation might actually be enacted during the 100th Congress.

While there are areas relating to welfare reform on which substantial disagreement remains, there is a growing consensus around several fundamental welfare reform principles, including the following:

- Employment and training programs that can help recipients attain self-sufficiency should be emphasized and strengthened.
- Particular attention should be placed on those who have the greatest barriers to employment and who, in the absence of assistance, are most likely to remain on benefit rolls for the longest periods (and to cost taxpayers the most in benefit outlays).
- Education should be stressed. Among every demographic group, those with more years of education have sharply lower poverty rates than those with less education. Indeed, to some conservative analysts such as Charles Murray, education looms as one of the most critical ingredients for escaping from poverty and long-term dependence on public assistance.
- Those who work or who participate in employment and training programs should not be disadvantaged by this participation -- and should certainly not be worse off than recipients who do not participate in such programs. In particular, low income mothers who work or who participate in work programs should not be burdened with unreimbursed child care costs that make them worse off than other mothers.
- Parents -- including absent parents -- have a responsibility to support their children. To this end, much greater emphasis should be placed on tracking down absent fathers and collecting child support payments.

- Coordination between programs -- particularly AFDC and food stamps -- should be improved.

The primary legislation to translate these principles into specific, programmatic changes will necessarily concern the Aid to Families with Dependent Children program. Nevertheless, there are some key areas where the food stamp program could do better in furthering these principles (and where the food stamp program currently may actually be working counter to the achievement of these goals). While the changes needed in the food stamp program are relatively modest (and in some cases are of a "fine-tuning" nature), these changes still are quite significant.

1. Employment and Training

The Emerson-Panetta employment and training provisions of the Food Security Act of 1985 are quite consistent with the goals of welfare reform. In fact, in some ways these food stamp work provisions were forerunners of some of the employment and training provisions now being discussed in AFDC.

Now that we are beginning to gain some experience with actual operations of food stamp employment and training endeavors, there do appear, however, to be a few areas where modifications in law or regulations would be helpful:

- Child care: Several states have found an anomaly in the new employment and training program regarding child care. If a recipient must incur child care costs to participate in a program, reimbursement for these costs is limited to $25 a month. This, of course, is far below typical child care costs virtually anywhere in the country.

  Costs above $25 a month may be taken as a food stamp deduction, but the deduction results in a benefit increase of only $30 for each $100 in child care costs. The end result is thus that a mother who must incur child care costs to participate in a food stamp employment and training program is generally made worse off than a mother who remains at home and does not participate.

  This is not the case either under current AFDC work-and-welfare programs or under the programs that would be created under the bill recently approved by the Public Assistance Subcommittee. Under current AFDC law and the new welfare reform bill, full reimbursement of child care cost (up to a reasonable level) is provided.

The food stamp employment and training program should be adjusted so that reasonable child care costs do not remain unreimbursed. This can readily be accomplished by providing full reimbursement of such costs up to levels such as those provided under the Public Assistance Subcommittee bill (a maximum of $175 per month per child age two or over, and $200 per month per child under age two).

Since relatively few mothers with young children are enrolled in the food stamp employment and training program (and since most states exempt mothers needing child care), the costs should be very small. Such a provision would be important, however, because it would allow those states willing to help fund these child care costs to encourage mothers with young children to enroll in employment and training programs.

- Education: The Food Security Act of 1985 explicitly lists "educational programs determined by the state to expand the . . . employability of those subject to the program" as a legitimate state employment and training activity. However, when final USDA regulations to implement the program were issued, they contained some worrisome language that had been inserted by OMB officials and that could restrict educational components. The preamble to the final regulations declares that "while long-term general education may indirectly promote employability, a more direct link between education and job-readiness must be established for a[n educational] component to be approved."

If this language is intended to bar program components under which recipients who are high school drop-outs work toward and receive general education (i.e., high school equivalency) degrees, then it is especially ill-conceived. One area in which conservative and liberal analysts are in firm agreement is that finishing high school is one of the most beneficial activities an unemployed drop-out can undertake -- and that the long-term benefits from such an activity accrue to the drop-outs and to taxpayers alike.

I would urge the Subcommittee to emphasize to OMB and the Department that these types of educational components are intended to be allowable under the food stamp employment and training program.

A final issue that has arisen in the new employment and training programs is that a few states are referring work registrants to vocational or technical courses at local community colleges, in order to upgrade the registrants' skills and enhance their employability. Yet when these registrants enroll, they become "students" and therefore lose their eligibility for food stamps. Current law allows food stamp participation by students who are enrolled in a school as a result of participation in an AFDC work program or a Job Training Partnership Act program. This provision needs to be broadened to allow school enrollment as a result of participation in a food stamp employment and training program or a state or local employment program (such as a General Assistance work program).

- Performance standards: Finally, as a result of the important work of the Manpower Demonstration Research Corporation (MDRC), we have learned that great care must be taken in measuring success in work-and-welfare programs -- and in setting standards for state performance. MDRC has found that simply counting the number of recipients who go through a program and then find jobs is not a good measure of program performance -- since many who found jobs would have found them on their own in the absence of a program. For example, in San Diego, 61% of those enrolled in an AFDC employment and training program subsequently found jobs -- but so did 55% of a "control group" of AFDC recipients who were not in the work program.

  Similarly, we have learned from a new report issued by the General Accounting Office that all employment and training activities are not the same -- some are more valuable than others. The GAO reported that the bulk of the activities currently offered under the WIN program consist of "job search services which are not designed to increase skill levels . . . in practice, most participants engage in activities that send them directly into the job market without skill or work habit enhancement." The GAO further observed that "evidence suggests that encouraging programs to work with people with more severe barriers to employment could improve long-term effectiveness" and that "serving people with more employment barriers means more intensive -- and expensive -- services such as education and training." (The GAIN program in California and the ET program in Massachusetts, with their emphasis on areas such as remedial education and skills training, seem to be examples of the approach that the GAO recommends.)

  We may need to rethink standards in a number of programs, including the food stamp employment and training program, as a result of these findings. Carefully designed performance standards that place emphasis on success in reducing long-term dependency are likely to prove more useful than participation standards that simply emphasize the number of recipients enrolled in a program or placement standards that simply measure the number who enroll and subsequently find jobs.

II. Related Employment and Education Issues

In addition to modifications that could be made in the food stamp employment and training program, several other changes in the food stamp program would encourage work and education -- and thereby reinforce efforts to attain self-sufficiency.

- Student provisions: In 1980, Congress enacted provisions to ensure that middle class students claiming to be independent could not receive food stamps. These provisions were designed in an unusual fashion -- they were literally conceived and put together "overnight" by a few people in USDA, in response to a sudden Carter Administration decision in the

winter of 1980 to alter its budget in order to try to reduce the deficit. Perhaps because these provisions were put together so hastily, they were not especially well designed. They accomplished their goal in removing middle income students who did not have a strong need for food stamp assistance -- but did this in a rather blunt fashion that turned out to penalize legitimately poor students who wanted to attend college. (I can attest to the haste with which these provisions were designed, since I was one of those responsible for them.)

If you examine these provisions carefully, you will find that they produce the following result: a poor, inner city, minority youth who lives with his family and who finishes high school and goes on to college is disqualified from food stamps (unless the youth already has a child to support or works at least half-time). As a result, the total food stamp benefit for his or her family -- including other children in the family -- is reduced. But if that same student fails to pursue his education after finishing high school, he is not disqualified and his family's food stamps are not reduced. The food stamp program thus sends the message that unemployment or part-time odd jobs are better than attending college -- and that the whole family will pay a price (and have less food) if the youth stays in school.

Needless to say, this makes little sense.

Back in 1980, we had relatively little appreciation for the problems of increasing poverty and a growing "underclass" -- and the critical importance of education as the primary path out of this cycle. The concern at that time was solely on ending participation by students who were not needy.

I believe that the student provision of current law can be modified so that non-needy students continue to be barred from the program without the perverse side-effects that the current law causes. This can be accomplished by such changes as allowing participation by a student who lives with parents, grandparents, or legal guardians and whose entire family is eligible for food stamps. Clearly, such a student is not a middle class youth claiming to be independent, but a poor youth whose efforts to attain education as a route out of poverty should not be discouraged.

- Child care deduction: Another issue concerns the child care deduction used in the food stamp program, which is capped at $160 a month regardless of how many children a family has in day care. To set a cap that is not adjusted by the number of children in child care is to treat working families with several children inequitably -- a much smaller percentage of their child care costs are deductible than is the case for families with fewer children. Both the current AFDC program and the welfare reform bill approved by the Public Assistance Subcommittee set the maximum AFDC child care deduction on a per child basis rather than a per household basis. The food stamp program should follow suit.

  Indeed, incorporating into the food stamp program the same child care deduction limits that are used in AFDC would promote both equity and

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consistency, while also helping to make work more feasible for larger families.

III. Child Support

The lack of adequate child support payments by absent fathers has become something of a national scandal. Only 58% of all single mothers living with their children had child support awards in 1983. Of those who had an award, only half received the full amount the court had awarded; one-fourth received nothing. Overall, more than half of all single mothers with children received no child support payments at all.

This results both in increased impoverishment of these mothers and children and in greater reliance on public assistance. In 1981, only 11 percent of the absent fathers of children on AFDC paid any child support.

Various reforms in child support enforcement are now being discussed and enjoy broad bipartisan support. Yet these reforms are expected to leave the majority of AFDC families unaffected. This is because only a relatively modest percentage of AFDC families have court-awarded child support. Additional measures are needed to increase the proportion of AFDC families receiving any child support.

One critical problem in this area is that in the past, there has been little financial incentive for an AFDC mother to undertake the sometimes emotionally difficult task of identifying the absent father to the authorities and helping them track him down. For some years, the full amount collected in child support for AFDC families was offset against the family's AFDC benefits -- so that the family received the same income whether the father paid child support or not.

The Deficit Reduction Act of 1984 (DEFRA) attempted to apply a modest remedy to this problem by allowing the mother to keep the first $50 in child support payments without a reduction in AFDC benefits. This provision was

designed to provide the mother with a financial stake in identifying and helping to locate the father and collect child support from him.

However, because there is no similar "$50 disregard" in the food stamp program, the impact of the AFDC provision was diluted. While the first $50 in child support payments stopped being counted against AFDC benefits, it continued to be counted against food stamp benefits -- reducing the mother's net gain from child support collections to just $27.50 to $35 a month.

To better focus the incentives -- and to have a greater chance of realizing the goal of increasing the number of cases in which paternity is established and child support is collected -- the food stamp provisions in this area should be conformed to those of AFDC. The first $50 in child support payments should be disregarded in food stamps, as in AFDC. This would enable a mother to obtain a more realistic, if still modest, improvement in income if the father is located and begins to pay support.

IV. Better coordination of AFDC and food stamps

Extending the $50 disregard of child support payments to the food stamp program would have another beneficial impact as well: it would promote administrative efficiency by eliminating an important source of inconsistency between AFDC and food stamp rules.

There are other areas where improved coordination can also be achieved. These include the following:

- Some of the APWA recommendations for closer alignment of AFDC and food stamps can be approved. Where other APWA recommendations prove too costly or controversial, they can be examined by the Commission that would be created under the Public Assistance Subcommittee bill, so that the Congress may have the Commission's recommendations on better AFDC/food stamp alignment within a year of the bill's enactment.

- The categorical eligibility provision of the Food Security Act of 1985 can be extended through FY 1990. The provision now expires after FY 1989.

(At the time the food stamp provisions of the 1985 Act were worked out in conference, it was assumed that the Food Security Act would be a four year bill. The conferees ultimately decided on a five year bill, however, and the categorical eligibility provision ended up with a premature expiration date.) If categorical food stamp eligibility for AFDC and SSI households ends after FY 1989, an additional element of complexity will be reintroduced into the program the following year.

- Procedures to tighten the coordination of AFDC and food stamp application processes are needed. In some areas, families applying for AFDC are not informed of their eligibility for food stamps. Congress should require that when families apply for AFDC, either a joint AFDC/food stamp application be used, or applications for both programs be provided at the same time. This same procedure should be used for state or local general assistance programs as well. Congress should also consider providing categorical food stamp eligibility for general assistance (GA) households in those jurisdictions that satisfy the Secretary that their GA eligibility requirements are sufficiently strict that no household failing to meet food stamp eligibility rules could qualify for general assistance.

This concludes my testimony. I appreciate the opportunity to testify here today.

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COMPARISON OF FOOD STAMP AND AFDC PROGRAM REQUIREMENTS

WITH RECOMMENDATIONS FOR CHANGE

JULY 1986

Congress, federal agencies and states have all been exploring the coordination and simplification of low income programs as a means to:

- o increase client awareness of availability of programs,
- o improve client access due to simpler application for benefits,
- o increase participation,
- o increase effectiveness of service to clients,
- o reduce administrative burden, and
- o reduce federal and state administrative costs.

However, the programs have continued to grow and change on separate tracks. The programs have become a maze of conflicting goals and requirements difficult for both clients, administrators, and Congress to negotiate.

The increased effeciency that would arise from more consistency in programs serving largely overlapping populations is self-evident. The present waste of resources necessitated by needless complexity is especially intolerable at a time of fiscal constraints and building consensus that the paramount goal of both programs is ultimate self-sufficiency.

The National Council of State Human Service Administrators has developed a comprehensive set of legislative and regulatory recommendations for consolidation and simplification of the AFDC and food stamp programs. The goals in developing such proposals are: First, by removing and replacing complex and sometimes contradictory policies with a streamlined coordinated set of policies the barriers to participation in the AFDC and food stamp programs are significantly lessened. Second, by coordinating and simplifying the programs the administrative burden in maintaining seperate complex requirements for programs serving overlapping populations is reduced. Finally, should comprehensive welfare reform be delayed, such simplification can provide a clearer, more coherent program base from which efforts at client self-sufficiency can be launched.

The NCSHSA has drafted a logical, fair and cost-effective means to modify the fragmentation and inconsistencies and improve the delivery of services in the AFDC and food stamp programs. We hope that Congress will support our recommendations and fulfill their commitment to simplify and coordinate low income programs.

COMPARISON OF FOOD STAMP AND AFDC PROGRAM REQUIREMENTS

ADMINISTRATIVE PROCEDURES

1. IMPLEMENTATION OF NEW RULES

Food Stamp Program	AFDC Program
No provision is made to hold a State harmless for Quality Control purposes during the period of time required to implement new rules.	Hold harmless periods have been established for Quality Control purposes when States have implemented major program changes.

RECOMMENDATION #1. Congress should require a time-limited moratorium on Quality Control errors subsequent to implementation of major changes in either program. This would allow for a rational, planned implementation period that would include the flexibility necessary to test and evaluate the best way to implement a given policy.

2. MONTHLY REPORTING EXCEPTIONS TO CONTINUED BENEFITS PENDING A HEARING

Food Stamp Program	AFDC Program
A State must deny continued benefits when: A household does not submit the monthly report by the extended filing date and admits that it did not submit the report; The benefits have been terminated for failure to file and the household has not yet submitted a new monthly report.	No similar requirement exists in the AFDC program. If a recipient submits the monthly report after filing date but before extension deadline, the state may delay benefits. If the report is not filed by the extension date, the state may reduce or terminate benefits. However, if an appeal is filed within 10 days benefits must be reinstated.

RECOMMENDATION #2: FNS should adopt AFDC policy for both programs and eliminate Food Stamp exception to continuation of benefits. This change would facilitate compatible processing of AFDC and Food Stamp monthly reporting cases.

3. TIME FRAMES FOR CONDUCTING FAIR HEARINGS

Food Stamp Program	AFDC Program
Within 60 days of receipt of a request for a fair hearing, the State agency shall ensure that the hearing is conducted, a decision is reached, and the household and local agency are notified of the decision.	Prompt, definitive, and final administrative action including issuance of benefits must be taken within 90 days of the hearing request.

RECOMMENDATION #3: FNS should adopt AFDC policy requiring implementation of hearing decision within 90 days from request for hearing.

4. TIME FRAMES WITHIN FAIR HEARING PROCESS

Food Stamp Program	AFDC Program
A client may appeal any action by the State or any loss of benefits which occurred in the prior 90 day period. A State level hearing must be conducted, a decison reached, and the household and the local agency notified within 60 days of the request. Benefits, if appropriate, must be issued within 10 days of the decision. If a local level hearing is held first, the local agency must conduct the hearing, reach a decision, notify the household, and issue benefits, if appropriate, within 45 days of the request for hearing. This action may be appealed to the State which has an additional 45 days to conduct the hearing, reach a decision, notify the household and the local agency, and issue benefits.	A client may appeal any action by the State or any loss of benefits which occured in a reasonable prior period established by the State not to exceed 90 days. The State must ensure that a hearing will be conducted, a decision reached, the household and local agency notified, and benefits issued within 90 days of the request for hearing.

RECOMMENDATION #4: Adopt AFDC policy that requires the State to establish a reasonable time frame not to exceed 90 days during which a household may obtain a hearing decision, and receive any benefits to which it may be entitled.

9. VERIFICATION REQUIREMENTS AT APPLICATION

Food Stamp Program	AFDC Program
Mandatory verifications include: Gross non-exempt income; Alien status; Utility expenses; Medical expenses; Social Security numbers; Residency; Identity of applicant; and Questionable information. Optional verifications include: Any other factor that affects eligibility or benefit level; and Error prone profile data.	Mandatory verifications include: Social Security numbers. Optional verifications are left to State discretion.
Food Stamp regulations further require the State to deny benefits to the household for failing to verify: Income; Residency; or Identity.	AFDC regulations require that no benefits be paid on behalf of an individual who has not complied with the Social Security requirements. The State has the discretion to impose other requirements.
Food Stamp regulations further require the State to take the following actions if the household fails to comply with optional verification requirements or fails to clarify questionable information: Deny household for failing to provide resource verification; Deny household for failing to clarify questionable information except for expenses in which case the State shall accept only the verified portion; Deny individual for failing to provide verification of citizenship or legal alien status; Deny separate household status for failure to provide verification of household composition; and	

Food Stamp Program	AFDC Program
Disallow shelter deduction for failure to provide verification of shelter expenses.	

RECOMMENDATION # 5: FNS should adopt AFDC policy permitting the State to establish verification requirements and procedures. This policy would allow States to impose conditions on applicants and recipients that are consistent with federal statute and are necessary for the efficient administration of the program. Such a policy would recognize that States are fiscally accountable to the federal government for erroneous program expenditures and therefore will establish verification requirements that are related to program needs and performance.

The recently enacted Food Security Act of 1985 provides the States with the necessary authority to simplify verification requirements. The Secretary should ensure that the implementing regulations do not prevent States from making the requirements of the AFDC and Food Stamp programs the same.

6. VERIFICATION REQUIREMENTS FOR RECERTIFICATION/REDETERMINATION

Food Stamp Program	AFDC Program
Mandatory verifications include: Questionable information; Income; Medical expenses; Utility expenses if claiming actual expenses and source has changed or amount has changed by more than $25; and Newly acquired Social Security numbers. Optional verifications include: Any other factor that would affect eligibility or benefit level.	Verification requirements are left to State discretion.

RECOMMENDATION #6: FNS should adopt AFDC policy permitting States to establish verification requirements for recertifications of eligibility. The recently enacted Food Security Act

RECOMMENDATION #4 (cont.) of 1985 provides the States with more discretion in establishing verification requirements. The Secretary should ensure that the implementing regulations allow the States the discretion to make the two programs the same.

7. VERIFICATIONS ASSOCIATED WITH MONTHLY REPORTING

Food Stamp Program	AFDC Program
Mandatory verifications include: Gross non-exempt income except for unchanged unearned income; Utility expenses if claiming actual expenses; Medical expenses; Alien status, if changed; Social Security numbers, if changed; Residency, if changed; Citizenship, if changed; and Questionable information. Optional verifications include: Any other information on the monthly report. Food Stamp regulations further require the State to take the following actions against the household for failing to provide mandatory verifications: Terminate household for lack of income verification; Disallow utility and medical deductions for lack of verification; Act on other reported information that is not verified only if benefits will decrease. Food Stamp regulations further require the State to act on unverified reported information that needs optional verification only if the benefits will decrease.	Verification requirements are left to State discretion.

RECOMMENDATION #7: FNS should adopt AFDC policy permitting States to establish verification requirements associated with monthly reporting systems. The recently enacted Food Security Act of 1985 provides the States with more discretion in establishing its own verification requirements. The Secretary should ensure that the implementing regulations do not prevent the States from making their AFDC and Food Stamp MSRB verification requirements the same.

8. VERIFICATION STANDARDS

Food Stamp Program	AFDC Program
Documentary evidence is the primary source of verification. Households have primary responsibility for providing documentary evidence. The State agency must offer assistance if the household cannot provide or would have difficulty providing documentation.	Verification standards are left to State discretion.
Collateral contacts are considered secondary sources of information and may be used in the absence of documentary evidence. The household must designate the collateral contact. The State may designate the contact if the household fails to do so. The household must be notified prior to the contact. The State agency has primary responsibility for contacting the third party.	
Home visits may be used only if documentary evidence is insufficient and must be scheduled with the household in advance.	

RECOMMENDATION #8: FNS should adopt AFDC policy permitting States to establish verification standards. The recently enacted Food Security Act of 1985 provides the States with more discretion in establishing their own verification requirements. The Secretary should ensure that the implementing regulations do not prevent the States from making the Food Stamp and AFDC verification requirements the same.

9. RECIPIENT NOTICE REQUIREMENTS

Food Stamp Program	AFDC Program
Food Stamp regulations mandate specific notices for specific events. The content of the notices and the time frames for sending them are specified in the regulations. The most frequently used notices include: Notice of Eligibility; Notice of Denial; Notice of Pending Action; Notice of Adverse Action; Notice of Expiration; Notice for Failure to File Monthly Report; and Notice for Filing Incomplete Monthly Report.	AFDC regulations require that a timely notice must be sent whenever the State intends to reduce, suspend, or terminate benefits. The State may send adequate notice in specified circumstances. Adequate notices must be provided whenever applications are approved or denied.
Two notices must be sent to the recipient for failing to file a monthly report or for filing an incomplete monthly report.	One notice must be sent to the AFDC recipient in the parallel situation.
Recipients must be given or mailed a change report form at certification or recertification and each time the recipient reports an interim change.	No parallel requirement exists in AFDC.
The Food Stamp regulations require a multilingual summary of the purpose of the notice and a telephone number to call for more information.	No parallel requirement exists in AFDC.

RECOMMENDATION 09: Congress should specifically adopt the same general notice requirements for the AFDC and Food Stamp programs. Statutory requirements need to be clarified. Because of various court decisions, many States must issue complicated notices that are often several pages long. These notices include copies of budget computations, grant calculations, and multi-page determinations of overpayment amounts.

The States recognize that the recipients' due process rights must be protected but the notices currently required go beyond due process. Notices of adverse action should contain the date of the notice, the intended action, the reason for the action, a policy citation supporting the action, the effective date of the action, and the appropriate appeal rights. Recipients should also be advised that supporting documentation is available upon request.

10. APPLICATION REQUIREMENTS

Food Stamp Program	AFDC Program
Food Stamp regulations require that benefits are issued within 30 days from the date the application is filed. For expedited applications, benefits must be issued in most cases no later than the fifth day following the date of application.	AFDC regulations require that benefits are issued within 45 days from the date the application is filed. All other application requirements are general in nature, specifying minimum standards such as explaining recipient rights and responsibilities, acting promptly, and substantiating determinations of eligibility with facts.
The Food Stamp regulations mandate particular actions for the following situations: Authorized representatives; Application form; Filing an application; Household cooperation; Interviews; Mandatory verifications; Optional verifications; Sources of verifications; Responsibility for obtaining verifications; Verifications subsequent to initial application; Changes during application process; Denying the application; Delays in processing; Expedited service; and Joint Food Stamp/public assistance applications.	
The Food and Nutrition Service must design or approve the application form.	No parallel provision exists in AFDC regulations.
Applicants must be interviewed in the office (unless waived by the applicant) and advised of their rights and responsibilities.	No parallel provision exists in AFDC regulations.
If applicant fails to appear for the first interview, the State must attempt to schedule a second inter-	AFDC regulations permit the State to deny the application if the recipient fails to keep an appoint-

Food Stamp Program	AFDC Program
view regardless of whether the applicant had good cause for missing the interview.	ment. No other State action is required. The recipient has appeal rights.
The State must conduct a single application interview for joint Food Stamp/public assistance households.	No parallel provision exists in AFDC regulations.
For delays caused by the household, the State must give the household an additional 30 days to take the required action.	No parallel provision exists in AFDC regulations.
If a notice of denial is sent based on the household's failure to take the required action and the household takes the required action within 60 days following the original date of application, the State must reopen the case without requiring a new application.	No parallel provision exists in AFDC regulations.

RECOMMENDATION #10: Congress should simplify the application requirements of the Food Stamp program to more closely parallel those of the AFDC program while retaining the requirement for expedited service and the requirement to provide benefits within 30 days. States should be required to provide benefits within a specified time frame but they should also be given the flexibility to develop administrative procedures that meet their individual needs. Such a change would permit States the maximum opportunity to coordinate AFDC and Food Stamp application requirements.

11. RECERTIFICATION AND REDETERMINATION REQUIREMENTS

Food Stamp Program	AFDC Program
Recertifications are required at the end of the certification period which is established by the State in accordance with Food Stamp rules. Households in a monthly reporting system must have certification periods no shorter than six months. All households must have certification periods no longer than	Redeterminations of eligibility are required no less frequently than once every 12 months.

Food Stamp Program	AFDC Program
twelve months. Households must re-apply no later than the 15th day of the final month of the certification period.	
Recertifications must include a face-to-face interview in the office unless waived for cause. Home interviews can only be conducted in conjunction with a public assistance interview or with the express authorization of the household.	No parallel provision exists in the AFDC regulations.
The State has no authority to schedule a recertification before the last month of the certification interview. If it schedules such an interview, it can not terminate the household for failing or refusing to participate in the interview.	The State has the authority to conduct a redetermination of eligibility at any time one would be warranted based on the household's circumstances.
The Food Stamp regulations require specific recertification forms and procedures that are similar to the certification requirements.	Redetermination forms and procedures are left to the discretion of the State.

RECOMMENDATION #11: Congress should simplify the recertification requirements of the Food Stamp program to more closely parallel those of the AFDC program. States should have the authority to conduct eligibility interviews at any time during the certification period if continued eligibility appears questionable. The State should have the flexibility to establish its own recertification forms and procedures and should be allowed to conduct interviews in the home provided that its policies are reasonable, do not impede the eligibility determination process, and do not erect administrative barriers specifically designed to deny or reduce benefits.

States should also be permitted to accept as a recertification a request for continuation of benefits that is made no later than the last day of the certification period.

11. CHANGES IN CIRCUMSTANCE

Food Stamp Program	AFDC Program
Households in a monthly reporting system are not required to report interim changes. All other households are required to report certain changes as opposed to all changes.	All households must report promptly any change that affects eligibility or benefit levels.
New household members are considered a change in circumstance with their needs being considered from the first of the month following the month of reported change. No application is is required. Income is treated retrospectively except for serious hardship cases.	New household members are treated prospectively for two months from date of application. Prospective income of the new member is combined with retrospective income of other household members.

RECOMMENDATION #12: Congress should require all recipients other than those in monthly reporting systems to report promptly all changes that affect eligibility or benefit levels. Written requests should be required to add new household members. The needs and income of the new household member should be treated prospectively for the first two months unless the individual had income that was deemed retrospectively to the assistance unit in the preceding month. Such a change would allow States to process routine changes in both programs in the same way.

13. QUALITY CONTROL PROGRAM

Food Stamp Program	AFDC Program
The Food Stamp program employs a Quality Control program that uses different rules than those used in the AFDC program.	The AFDC program employs a Quality Control program that uses different rules than those used in the Food Stamp program.
As currently constructed, the QC program unfairly penalizes States by imposing fiscal sanctions that are inequitably applied.	As currently constructed, the QC program unfairly penalizes States by imposing fiscal sanctions that are inequitably applied.

RECOMMENDATION #13: Congress should reform the Quality Control programs in both the AFDC and Food Stamp programs.

NON-FINANCIAL ELIGIBILITY FACTORS

14. STRIKER POLICY

Food Stamp Program

Strikers are eligible to participate in the program but only if they would have been eligible prior to the strike. Benefits cannot be increased based on a reduction in income caused by the strike.

AFDC Program

Strikers are ineligible for any month if they are striking on the last day of that month. If striker is parent-caretaker, the whole family is ineligible.

RECOMMENDATION #14: Congress should treat strikers the same in both programs by requiring that eligibility be determined based on pre-strike income. There appears to be no programmatic reason for having two different policies. Such a change would enhance the States' ability to process AFDC and Food Stamp cases in the same way.

15. ALIEN STATUS

Food Stamp Program

The Food Stamp program specifically defines which aliens are eligible to participate in the program and does not include aliens residing in the United States under color of law.

When verification of eligible alien status is subsequently received, the State must add the alien member to the Food Stamp household beginning with the month following the month the verification is received.

AFDC Program

The AFDC program specifically defines which aliens are eligible to participate and includes aliens residing in the United States under color of law.

Payments to eligible aliens may begin from the date of application.

RECOMMENDATION #15: Congress should make the definition of alien in both programs identical, clarifying or eliminating the term "under color of law." States should have the option of beginning payments to aliens at the same time in both programs. These changes would facilitate joint processing of AFDC and Food Stamp cases.

FINANCIAL ELIGIBILITY FACTORS

16. RESOURCE LIMITS

Food Stamp Program

A household is permitted to have assets worth $1500. Households of two or more are permitted to have assets worth $3000 if one of the household members is at least 60 years of age.

The recently enacted Food Security Act of 1985 raised these limits effective May 1986 to $2000 for each household or $3000 for any household that consists of or includes a person who is at least 60 years old.

AFDC Program

A household is permitted to have assets worth $1000.

RECOMMENDATION #16: Congress should amend the Social Security Act to permit the States to allow AFDC recipients to retain assets equal to the Food Stamp limit.

17. VEHICLES

Food Stamp Program

Households are permitted to have one automobile with a fair market value no greater than $4500. Additional vehicles are treated under different rules.

AFDC Program

Households are permitted to have one automobile with an equity value no greater than $1500.

RECOMMENDATION #17: Congress should allow all households to have one automobile or, if this is not feasible, should allow all households to have one automobile whose equity value in excess of $4500 would be applied to the resource limit.

18. LIFE INSURANCE

Food Stamp Program

The cash value of life insurance policies is exempt.

AFDC Program

The cash value of life insurance is considered a liquid asset.

RECOMMENDATION #18: Congress should exempt from consideration the value of life insurance policies. State experience indicates that the vast majority of AFDC recipients do not have life insurance policies whose value would make them ineligible. The administrative burden and expense involved in verifying this factor is not cost effective.

19. TRANSFER OF ASSET POLICY

Food Stamp Program	AFDC Program
Food Stamp regulations prohibit participation in the program if a countable asset is transferred for less than fair market value during the three months prior to application or during the certification period. A household may be disqualified for up to one year for this reason.	No parallel provision exists in the AFDC program. However, the regulations do not preclude a State from establishing its own transfer of asset policy.

RECOMMENDATION #19: Congress should amend the Food Stamp Act to permit State flexibility in developing transfer of asset policy to coincide with its AFDC policy.

20. PREPAID BURIAL PLANS

Food Stamp Program	AFDC Program
Prepaid burial plans with an obligation to repay withdrawals are exempt from consideration. If there is no obligation to repay a withdrawal, the equity value of the prepaid plan is treated as a resource.	Bona fide funeral agreements with an equity value not in excess of $1500 for each member of the household are exempt from consideration.

RECOMMENDATION #20: Congress should amend the Food Stamp Act to exempt bona fide funeral agreements with an equity value not in excess of $1500 for each member of the household.

TREATMENT OF INCOME

21. STUDENT GRANTS, SCHOLARSHIPS, AND LOANS

Food Stamp Program	AFDC Program
Student grants, scholarships, and loans	Student grants, scholarships, and

Food Stamp Program	AFDC Program
are considered as income to the extent that the value exceeds direct educational costs.	loans are disregarded if they are administered by the United States Department of Education.
The recently enacted Food Security Act of 1985 makes additional changes in this area which widen the differences between the AFDC and Food Stamp programs.	

RECOMMENDATION #11: Congress should amend the Food Stamp Act to disregard student grants, scholarships, and loans if they are administered by the United States Department of Education.

22. $50 CHILD SUPPORT DISREGARD

Food Stamp Program	AFDC Program
Child support payments that are exempt in the AFDC program are counted as income in the Food Stamp program.	The first $50 of current child support payments is exempt income in the AFDC program.
The recently enacted Food Security Act of 1985 permits a State to exclude such payments as income in the Food Stamp program provided the State reimburses the Federal government for the estimated Food Stamp cost that would be incurred by doing so.	

RECOMMENDATION #12: Congress should exempt as income any child support payment received by a food stamp recipient to the same extent that such income is disregarded in the AFDC program. Such a change would simplify the administration of the Food Stamp program and provide incentives for absent parents to make child support payments.

23. WORK EXPENSE DISREGARD

Food Stamp Program	AFDC Program
Gross earned income is reduced by 18% to acknowledge expenses of employment.	Gross earned income is reduced by $75 to acknowledge expenses of employment.
The recently enacted Food Security Act of 1985 raised this percentage to 20%.	

RECOMMENDATION #23: Congress should amend the Social Security Act to reduce gross earned income by 20% to acknowledge expenses of employment. Such a change would simplify the joint administration of the AFDC and Food Stamp programs and would also recognize that the working expenses of AFDC recipients are no less than those of Food Stamp recipients.

24. TRAINING ALLOWANCES INCLUDING WIN AND JTPA

Food Stamp Program	AFDC Program
All training allowances, except for those authorized under JTPA, are counted as income. The recently enacted Food Security Act of 1985 requires that earnings to individuals participating in on-the-job training programs under the Job Training Partnership Act be counted as earned income except for dependants under the age of 19.	Training allowances are generally disregarded. JTPA allowances may be counted as income except for minors.

RECOMMENDATION #24: Congress should amend the Food Stamp Act and the Social Security Act to count all training allowances the same way for both programs.

25. LUMP SUM PAYMENT

Food Stamp Program	AFDC Program
Lump sum payments are not treated as income. They are treated as a resource and applied with all other assets against the resource limit.	Lump sum payments are treated as income in the month received. If the payment exceeds the Standard of Need, the payment is divided by the Standard to determine the number of months the household is ineligible. Any income less than the Standard that remains after this division is applied to the family's needs at the point of a subsequent reapplication.

RECOMMENDATION #25: Congress should amend the Social Security Act to treat lump sum payments in the AFDC program as a resource in the month received.

26. EARNED INCOME OF MINORS IN SCHOOL

Food Stamp Program	AFDC Program
Earned income of minors is disregarded if the minor is in school at least half-time.	Earned income of minor is disregarded if the minor is a full-time student or a part-time student who is not employed full-time.

RECOMMENDATION #26: Congress should amend the Social Security Act to disregard the earned income of minors if the minor is in school at least half-time.

27. SELF EMPLOYMENT INCOME

Food Stamp Program	AFDC Program
The Food Stamp program provides specific definitions and procedures for self employment income. Specific exclusions are mandated.	The AFDC program provides general guidance only. Expenses and operating costs related to the production of income are excluded.

RECOMMENDATION #27: Congress should mandate that self employment income be treated the same in the AFDC and Food Stamp programs using the current Food Stamp rules as a model. This change would simplify the administration of both programs and make the policy easier to understand for self employed recipients who receive benefits from both programs.

28. COMPLEMENTARY PROGRAMS

Food Stamp Program	AFDC Program
The Food Stamp program generally counts as income State funded program aimed at special needs.	The AFDC program permits the State to disregard the value of State funded programs that are complementary and non-duplicative including supplementation following the loss of employment in a retrospective budgeting system.

RECOMMENDATION #28: Congress should amend the Food Stamp Act to permit States to exclude as income State funded programs aimed at special needs. This change would facilitate joint eligibility determinations and benefit calculations in both programs. It would also encourage States to provide special assistance needs not currently addressed by the AFDC or Food Stamp programs.

REPORTING REQUIREMENTS

39. MONTHLY REPORTING REQUIREMENTS

Food Stamp Program	AFDC Program
The Food Stamp program generally requires all households to report monthly except for migrant farmworkers or households in which there is no earned income and all adult members are elderly or disabled.	The AFDC program requires all households with earned income or with a recent work history to report monthly. The State may require any other household to report monthly.
The Secretary may waive this requirement if it is cost effective to do so or if such a waiver promotes compatability with the AFDC monthly reporting requirements.	The Secretary may waive this requirement if it is cost effective to do so.
Households in a monthly reporting system cannot be required to report changes outside of the monthly reporting system.	Households in a monthly reporting systems must report all changes promptly irrespective of their monthly reporting obligation.
The monthly report form cannot be used in lieu of a recertification although an "addendum" form in conjunction with the monthly report may be employed for this purpose.	With federal approval, the monthly report may be used in lieu of a redetermination.
The Food Stamp program regulates in great detail the operational aspects of monthly reporting systems.	The AFDC program provides general instructions for the operation of monthly reporting systems.
The recently enacted Food Security Act of 1985 changed the mandatory reporting populations to more closely parallel those of the AFDC program and grants the Secretary the authority to waive those requirements if cost effective to do so.	

RECOMMENDATION #29: Congress should amend the Food Stamp Act and the Social Security Act to make monthly reporting systems optional. States should be permitted to use such systems at their discretion to operate accurate and cost effective programs. They should also have the flexibility to design optional monthly reporting systems that best suit their administrative and operating structures. The current waiver process is both cumbersome and time consuming.

30. FAILURE TO REPORT EARNED INCOME

Food Stamp Program	AFDC PROGRAM
If a household fails to report earned income and, as a result, receives benefits to which it was not entitled, the State must file a claim against the household unless the household was not required to report the change, i.e., a change less than $25.	If a household fails to report earned income without good cause, the household is not entitled to the earned income work expenses, disregards, or child care expenses when the State subsequently determines the correct benefit amount.

RECOMMENDATION #30: Congress should amend the Food Stamp Act to penalize households that fail to report earned income by denying them the 20% disregard and child care expense disregard for any month in which they fail to report earned income. Such a change would encourage households to report earned income and would make the policies of the AFDC and Food Stamp program similar.

31. REPORTING SMALL CHANGES

Food Stamp Program	AFDC Program
Changes in income of less than $25 need not be reported. All other changes must be reported within 10 days of the date the change becomes known to the household except that households in a monthly reporting system may report such a change on the monthly report even if the report is due after the 10 day period.	Households must report promptly all changes that affect eligibility or benefit amount.

RECOMMENDATION #31: Congress should amend the Food Stamp Act and the Social Security Act to provide that all changes that affect eligibility or benefit amount must be reported promptly. This requirement would be met if such changes were reported on the first monthly report submitted after such a change.

WORK REQUIREMENTS

32. WORK REGISTRATION EXEMPTIONS

Food Stamp Program	AFDC Program
In general, the following persons are	In general, the following persons

Food Stamp Program	AFDC Program
exempt from work registration requirements:	are exempt from work registration requirements:
A person younger than 18 or older than 59;	A person younger than 16 or older than 64;
A person physically or mentally unfit for employment;	A person who is ill or incapacitated;
A person who is responsible for a dependent child under the age of six;	A person who is responsible for a dependent child under the age of six, except in community work experience programs where, at State option, the age limit can be lowered to three if appropriate child care is secured.
A student between the ages of 18 and 60 if responsible for a dependent child who has reached age six but is under age 12 if the State has determined that adequate child care is not available;	A student who is at least 16 but under 18 (or 19 if the State covers 18 year old dependents in its State Plan) who is attending elementary or secondary school or a vocational or technical school that is equivalent to a secondary school;
	A parent or caretaker if the second parent or another adult relative in the home is registered.

RECOMMENDATION #11: Congress should adopt similar work exemption requirements for both programs. No person who is at least 59 should be required to participate in work programs. States should have the option of requiring work registration for persons who care for dependents over the age of three unless otherwise exempt. The Food Stamp program should retain the exemption for students who are otherwise eligible for the Food Stamp program but who do not meet the age requirements of the AFDC program.

13. DISQUALIFICATION PERIODS AND GOOD CAUSE

Food Stamp Program	AFDC Program
The Food Stamp program imposes a disqualification period of two months for failing to comply with the work requirements.	The AFDC program generally imposes a period of disqualification of up to three months for failing to comply with the work requirements.

Food Stamp Program	AFDC Program
The State must determine if the recipient had good cause for failing to comply. The good cause requirements are not identical to those used in the AFDC program.	The State must determine if the recipient had good cause for failing to comply. The good cause requirements are not identical to those used in the Food Stamp program.

RECOMMENDATION 013: Congress should amend the Food Stamp Act and the Social Security Act to allow States to develop comprehensive work and training programs for the Food Stamp and AFDC programs. States should be allowed to develop consistent definitions and sanctions for these programs.

The recently enacted Food Security Act of 1985 provides the Secretary with broad authority to allow the States to develop work programs. The Secretary should ensure that the implementing regulations embrace the intent of this recommendation.

FEDERAL FINANCIAL PARTICIPATION

14. INCENTIVES TO COMBAT FRAUD

Food Stamp Program	AFDC Program
The Food Stamp program provides 75% reimbursement for administrative costs expended to reduce fraud.	The AFDC program provides no fiscal incentive to reduce fraud.
The Food Stamp program permits a State to retain 25% of collections relating to overissuances caused by recipient error and 50% of collections relating to overissuances caused by fraud.	The AFDC program permits a State to retain only its share of the collected overpayment.

RECOMMENDATION 014: Congress should amend the Social Security Act to increase federal financial participation in the AFDC program for administrative costs associated with the reduction of fraud. States should be given fiscal incentives to recover overpayments caused by recipient error.

CATEGORICAL ELIGIBILITY

15. ELIGIBILITY DETERMINATIONS

Since the enactment of the Food Stamp Act of 1977, eligibility rules and benefit calculations for all participating households have been the same. Generally, no special consideration is given to recipients of other means-tested programs. This policy ensures that all households are treated the same but it requires State and local agencies to determine Food Stamp eligibility for low income households who have already met rigorous eligibility tests employed by other programs.

Low income households whose members receive AFDC, SSI, or General Assistance must be separately determined eligible for Food Stamps which, in most instances, increases the administrative burden of State and local agencies with no corresponding benefit to the Food Stamp program.

The recently enacted Food Security Act of 1985 authorizes categorical eligibility for households in which all members receive AFDC or SSI. The Secretary must report to the Congress on the effect of the new provision within two years after enactment.

RECOMMENDATION #15: Congress should also establish categorical eligibility for households in which all members receive AFDC, SSI, or General Assistance benefits provided that the State has shown to the Secretary's satisfaction that its General Assistance program is no less restrictive than the Food Stamp program. Continued eligibility would be governed by the AFDC, SSI, or General Assistance programs, as appropriate, and such households would not have to be separately recertified for Food Stamps.

16. STANDARDIZED BENEFITS

Categorical eligibility, in and of itself, will not achieve maximum administrative simplicity nor will it eliminate the complex Food Stamp rules for calculating household benefits. In conjunction with categorical eligibility, States should have the flexibility to standardize benefits for households in which all members receive AFDC, SSI, or General Assistance benefits.

The recently enacted Food Security Act of 1985 authorizes the Secretary to permit States, upon request, to operate programs that would standardize benefits for households in which all members receive AFDC, SSI, or Medicaid in accordance with statutory guidelines. There could be no more than five statewide programs and five local programs in operation at any one time.

RECOMMENDATION #16: Congress should also permit States to standardize Food Stamp benefits for households in which all members receive AFDC, SSI, Medicaid, or General Assistance benefits provided that the State has shown to the Secretary's satisfaction that its General Assistance program is no less restrictive that the Food Stamp program.

National Governors' Association

Bill Clinton
Governor of Arkansas
Chairman

Raymond C. Scheppach
Executive Director

May 18, 1987

The Honorable Leon E. Panetta
Chairman
Subcommittee on Domestic Marketing, Consumer
Relations and Nutrition
Committee on Agriculture
U.S. House of Representatives
1301 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

The Governors adopted a policy on welfare reform at the NGA winter meeting which proposes establishing a system for families with children that is primarily comprised of education, training, and job opportunities, with the addition of an income assistance component. The Governors are also moving toward policies to prevent the causes of welfare dependency through an NGA year-long study of these issues to culminate at the summer meeting with articulation of state action agendas. We believe that implementing the NGA welfare reform policy and state prevention efforts are important first steps toward reinvesting in America's low-income citizens dependent on welfare.

We believe that the Family Welfare Reform Act as reported by the Subcommittee on Public Assistance and Unemployment Compensation is an excellent start toward welfare reform. The Network program has many elements of what the Governors see as critical welfare reform policy. We are also pleased to see that day care and medical care in the transition to work are addressed. Strengthening child support enforcement is also a very important part of the bill.

We also support your desire to begin this year to simplify and coordinate Food Stamp program policy with that of the Family Support program. In particular, we support efforts to assure that the Network and Food Stamp Employment and Training programs are compatible so that states can integrate them to the extent possible into comprehensive education, training, and employment systems. One major change in the Food Stamp Employment and Training program to assist states in this coordination effort would be to refocus performance standards toward measures of outcome, i.e., placing people in jobs, and replacing the current penalty system with an incentive system for states to achieve performance standards. These changes, structured properly, would provide incentives for states to develop intensive education, and training programs to reduce long-term dependency rather than force states to develop superficial programs of job search.

HALL OF THE STATES 444 North Capitol Street Washington D.C. 20001-1572 (202) 624-5300

Further, the NGA is very concerned about the financial ability of many states to implement new or expanded employment and training programs for welfare recipients. While NETWORK provides a 60 percent federal match on an open-ended basis for state expenditures, H.R. 1720 also raises the federal match on all administrative expenses to 60 percent. Many states will not implement NETWORK for several years while all states have begun to implement Food Stamps Employment and Training programs. The current up-front grant to each state for the Food Stamp Employment and Training program is essential to get the program up and running and then integrated into its NETWORK program. The up-front grant is even more important if the federal incentives are designed for states to provide more intensive services such as remedial education. NGA would be very hesitant to support any effort to shift the financing of the Food Stamp Employment and Training program to the NETWORK match rate for all program expenses while eliminating the up-front grant to states during transition to comprehensive systems.

The NGA supports coordination and simplification of food stamp benefits and cash assistance policies. The Governors' Food Stamp program policy adopted in 1985 supports several specific proposals for coordinating benefit policies. The NGA has also strongly supported the recommendations of the American Public Welfare Association for coordinating AFDC and Food Stamp program policies. Because we are very concerned about the cost of such policy changes, we very much appreciate your desire to assure that these policy changes are budget neutral.

The National Governors' Association appreciates your invitation to testify at the May 5, 1987 subcommittee hearing. While we could not testify due to scheduling conflicts, we want to work closely with you as you mark-up the proposed legislation. If you have any questions, please feel free to call me at 624-5320, or Alicia Smith, Staff Director of the Committee on Human Resources, at 624-5340.

Sincerely,

Raymond C. Scheppach
Executive Director